

COUNTY OF SAN BERNARDINO

Risk Assessment Review



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COUNTY OF SAN BERNARDINO

Risk Assessment Review

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January 21, 2003

Board of Supervisors
County Administrative Officer
Department Heads

Re: County of San Bernardino Risk Assessment Review

The attached Risk Assessment Review (Review) was prepared by RSM McGladrey, Inc. under the direction of the Auditor/Controller-Recorder (ACR). The Review was designed to analyze risk factors and to develop a risk-based model for ACR to prioritize internal audits. The Executive Overview section of the report outlines the approach of the Risk Assessment and makes suggestions for the implementation of the Internal Audit Plan. We will provide the Board of Supervisors our proposed Internal Audit Implementation Plan under a separate letter.

The ratings for the auditable activities were based on the "inherent risks" of departmental activities without consideration of whether internal controls were in place. The Review analyzed the same inherent risk factors for all departments (i.e. Information Risk, Financial Management Risk, Legal and Regulatory Risk, Safeguard of Asset Risk, Operational Risk, Technology Risk and Strategic Management Risk) and did not address internal controls. The evaluation of the internal controls is the next step in our Internal Audit Implementation Plan. The following is a simplified example of inherent risk--one department handles large amounts of cash and another department prepares reports of certain activities on a monthly basis. Without considering internal controls, the department that handles large amount of cash will have an inherently riskier function than the other. Of course inherent risks will also include functions other than financial, such as public safety.

The "Potential Significant Risk" section of the Review identifies situations/events that may have a material impact to a department's ability to perform its functions. These situations/events may never materialize, but it is always wise to recognize all potential significant risks and to develop contingency plans.

As mentioned, ACR's next step will be to determine the extent to which departments have implemented internal controls to address the potential significant risks identified in the Review. We will also include testing to determine if the departments are adhering in practice to the internal control policies and procedures required of all County departments.

We appreciate the support from the Board of Supervisors, County Administrative Office, Department Heads and management staff that participated in the risk assessment interviews.

Respectfully submitted,

A handwritten signature in blue ink that reads "Larry Walker".
Larry Walker
Auditor/Controller-Recorder

EXECUTIVE OVERVIEW

The County of San Bernardino (County) through the Auditor/Controller-Recorder's (ACR) Office engaged RSM McGladrey, Inc. (RSM McGladrey) to assist in preparing an Audit Risk Assessment Study (Risk Assessment). Modern audit practices as well as the auditing standards advocate a plan of audits based on an assessment of risks and exposures to the organization. The process of assessing risk includes identification of auditable activities; identification of relevant risk factors; and an assessment of their relative significance. The Risk Assessment presents a consistent methodology across an organization to evaluate risk and prioritize the County's auditing activities and plans.

The County is a governmental entity with numerous Departments and Divisions. For this report, the ACR separated the County into 60 different auditable activities cross-referencing each activity with the department responsible. Thirty-nine (39) activities were categorized as "Activities" that the County performs (i.e., foster care, medical care and public safety) and twenty-one (21) activities were categorized as "Support Functions" to the County (i.e., human resources and information services). The diversity of activities within the County is vast; however, each activity was evaluated using the same criteria.

The objective of the Risk Assessment was to evaluate the inherent risk of each auditable activity in seven different areas of risk. The seven areas are:

- Information Risk
- Financial Management Risk
- Legal and Regulatory Risk
- Safeguard of Assets Risk
- Operational Risk
- Technology Risk
- Strategic Management Risk

Each department was provided a questionnaire, definitions and an opportunity to attend a workshop. The Risk Assessment was developed based on detailed interviews with Department/Division heads, management personnel, executive management and the cumulative knowledge of the County's risk areas. **Specific controls that the Department had in place to mitigate risk were not considered for this Study.**

Our methodology results in a quantitative numeric score for each auditable activity. The overall score is comprised of the individual weighted ratings for each of the seven risk factors. Each auditable activity was evaluated on the level of risk (low, moderate or high) present in the seven risk areas. The result is a weighted risk rating of high, moderate or low for each Department or Division. See the *Appendix* for the risk category definitions. A summary of this risk analysis by activity is included in this report. The Risk Assessment process also drives the planned scope of the internal audit coverage, which is summarized at the end of the report.

This report summarizes the Risk Assessment Review for the County through the use of a risk matrix and summary guide of each auditable activity. The objective of this report is to heighten the awareness of the inherent risk by activity in the County and to prioritize the internal audit coverage to those areas judged as having a relatively higher risk profile.

The scope of the Risk Assessment Review has been reviewed and approved by the ACR, who in turn has final responsibility and authority for the satisfactory execution of the Internal Audit Plan.

County Operations Overview

Having completed the Risk Assessment and planned scope of internal audit coverage, several themes related to risk seem to emerge from the interviews with Departmental managers and staff. These themes relate to both the inherent risk of the activity and control risk to be considered later as described in our recommended next steps. The following is a summary of those themes that will be considered during the planning stage of the Operational Audits.

- Formal, complete and current policies and procedures for Departmental activities.
- Staff retention and cross-training programs especially for departments experiencing high levels of staff retirements, transfers and terminations.
- Information technology plan and training program for staff.
- Extent of Departmental strategic plans.
- Financial projections for the department along with scenarios based on unanticipated cuts in programs or services due to budgetary cuts or lack of funding sources.
- Compliance with Federal and State grant award guidelines.
- Natural disaster and environmental concerns preparedness.
- Employee safety issues.
- Homeland security issues.

The Next Steps for the Internal Audit Department

In order to implement the Internal Audit Plan, the following tasks should be completed within the Internal Audit Department:

1. As discussed earlier, the Auditor's Division should request that the County Charter and the Board of Supervisors' Policy Statement be amended to comply with the audit methodology adopted. We believe that each activity should be audited once by priority over a four-year period at a minimum. The Risk Assessment Summary and Internal Audit Plan should consider the weighted scoring system assigned to each Auditable Activity. The overall score is comprised of the individual weighted ratings for each of the seven risk factors. The result is a weighted rating of high, moderate or low. This initial Risk Level should become the basis for prioritizing the internal audit cycle for the Internal Audit Plan.

2. Control risks should be identified and evaluated for each of the Auditable Activities. This report should be updated to include the aspects of the control environment in each department and division.
3. The Auditor's Division should incorporate the results of this report into their schedule of Departmental audits. Additionally, the approach to internal audits should be focused on the risks and audit strategies identified in the report.
4. The Auditor's audit-program-guides should be updated to incorporate the information obtained from this report for each of the departments. Future audits should focus their efforts on the high-risk areas outlined in this report along with a test of controls to determine if controls are in place to minimize the inherent risks present in Departmental operations.

The Auditor Assistant and the County

The Auditor Assistant software is the key to managing the County's Internal Audit Plan. By using the software to manage the County's Internal Audit Plan, the risk assessments for each Department can be updated as audits are performed. Also, at the end of every internal audit, the department's risk profile can also be updated.

















































































































The County should determine whether or not it should purchase the Auditor Assistant software platform. The purchase and implementation of Auditor Assistant software platform would give the County the basis for beginning a paperless auditing system. To adapt the Auditor Assistant to the County's network system, a Domino Server would need to be purchased by the County to integrate the software for the ACR's use. This would overcome many platform complexities that the ACR's office might face during integration of the software platform.

Should the County wish to pursue the purchase of the Auditor Assistant software platform, we would introduce representatives from the vendor to the ACR's office. We would propose that the ACR's office purchase the version already customized by RSM McGladrey. This version's approach methodology has already been utilized by the Risk Assessment Team and would save the County a tremendous amount of customization work to incorporate the system into the ACR's audit process.

RISK ASSESSMENT SUMMARY

Department	Information	Financial Mgmt.	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Activities								
▪ Aging & Adult Services	●	●	●	●	●	●	●	Low
▪ Agriculture, Weights & Measures	●	●	●	●	●	●	●	Low
▪ Airports	●	●	●	●	●	●	●	Mod
▪ Architecture & Engineering	●	●	●	●	●	●	●	Low
▪ Arrowhead Regional Medical Center	●	●	●	●	●	●	●	High
▪ Behavioral Health	●	●	●	●	●	●	●	High
▪ Child Support	●	●	●	●	●	●	●	Mod
▪ Children Services	●	●	●	●	●	●	●	Mod
▪ Clerk, Recorder Operations and Records Management	●	●	●	●	●	●	●	Mod
▪ Coroner	●	●	●	●	●	●	●	Mod
▪ County Museum	●	●	●	●	●	●	●	Mod
▪ County Schools	●	●	●	●	●	●	●	Low
▪ District Attorney	●	●	●	●	●	●	●	Mod
▪ Economic & Community Development	●	●	●	●	●	●	●	Mod
▪ Grand Jury	●	●	●	●	●	●	●	Low
▪ Job & Employment Services	●	●	●	●	●	●	●	Mod
▪ Land Use Services	●	●	●	●	●	●	●	Mod
▪ Library Operations	●	●	●	●	●	●	●	Low
▪ Preschool Services	●	●	●	●	●	●	●	Mod
▪ Probation	●	●	●	●	●	●	●	Mod
▪ Public Administrator/Conservator/Guardian	●	●	●	●	●	●	●	Mod
▪ Public Health	●	●	●	●	●	●	●	Mod

▪ Public Works-Flood Control District								High
▪ Public Works-Parks, Recreation & Entertainment Venues								Mod
▪ Public Works - Transportation								High
▪ Public Works – Solid Waste								Mod
▪ Public Works – Surveyor								Low
▪ Real Estate Services								Low
▪ Redevelopment Agency								Mod
▪ Registrar of Voters								Mod
▪ Sheriff-Court Services								Mod
▪ Sheriff-Field Operations								High
▪ Sheriff - Corrections								High
▪ Special Districts – Fire - Emergency/Prevention								High
▪ Special Districts - Water, Sanitation, Parks, Roads & Streetlights								High
▪ Transitional Assistance Department (TAD)								High
▪ TTC – Cash, Investment & Treasury								High
▪ Veteran's Affairs								Low
Support Functions								
▪ Assessor								Low
▪ Auditor - Internal Audit/MSS/RPS								Mod
▪ Board of Supervisors								Low
▪ County Administrative Office - Capital Improvement Program & Debt Financing								Mod
▪ County Administrative Office - Operating Budget - Development								Mod
▪ County Administrative Office - Oversight - Departmental Compliance								Mod

▪ Clerk of the Board								Mod
▪ Controller - FA/GA/ AP/Payroll/Property Taxes								High
▪ County Counsel								Low
▪ Facilities Management								Mod
▪ Fleet Management- Garage/Warehouse & Motor Pool Divisions								High
▪ HR - Benefits								Mod
▪ HR - Employee Relations								Mod
▪ HR - Risk Management								Mod
▪ HR - Classification/ Compensation Compliance								Low
▪ ISD – Network Services								Mod
▪ ISD - Computer Operations								Mod
▪ ISD Application Development								Mod
▪ Public Defender								Mod
▪ Purchasing								Mod
▪ TTC - Central Collections								Mod
▪ TTC - Tax Collection								High








Definitions of the Risk Categories can be found in the Appendix.

Legend:

 High  Moderate  Low

RISK ASSESSMENT BY AUDITABLE ACTIVITY AND INTERNAL AUDIT SUGGESTIONS

AGING & ADULT SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Management.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

Department of Aging and Adult Services (DAAS) is the designated Area Agency on Aging for the County and administers all funds under the Older Americans Act. Additionally, DAAS receives reports of adult abuse and administers the In-Home Supportive Services and Adult Protective Services programs. There are 357 staff members in DAAS and there are 11,400 in-home care providers that provide services to DAAS clients (although not employed by DAAS).

The main goal and mission of DAAS is to serve the County's seniors over 60 years old and at-risk individuals to maintain or improve choice, independence, and quality of life. To achieve this mission DAAS supports a variety of services and programs for the aging and dependent adult community, both directly and through contracts with other agencies. The funding for DAAS comes primarily from several Federal and State sources. For the 2001-2002 fiscal year, budgeted revenues are approximately \$8.1 million. Appropriations account for \$8.2 million in the same period, which represents 0.33% of the County's overall budget.

DAAS provides direct services and contracts for the following programs: Senior Employment Program, Information and Assistance, Senior Home and Health Care, Long Term Care Ombudsman, In home Supportive Services, Adult Protective Services, Linkages Services and Special Circumstances. Contract agencies provide services for Legal Assistance, Alzheimer's Day Care Resource Centers, Senior Companion Program, Brown Bag Program, Community Services, Nutrition Services, HICAP and the Family Caregiver Service Program. Assessment of the effectiveness of the various programs is completed through the Senior Affairs Commission, Regional Councils on Aging, Long Term Care Planning Council and Adult Protective Service Multidisciplinary Teams.

Business Objectives

- Combine services for planning, fiscal and administrative services into one central location.
- Work on cost efficiency measures in their offices through close proximity of the staffing and utilizing one central location.
- Continue the development of publications and information for seniors in the County.
- Maximize the use of volunteer support staff.
- Empower staff to deliver high quality services.

- Enhance the Senior Advisory Committee to encompass a broader range of senior activities.
- Establish services to seniors in the mountain region communities of the County.
- Continue to work and share information with police, district attorney and public guardian offices on cases of elder abuse.
- Continue to work with the Senior Advisory Committee on developing a four-year strategic plan.
- Maintain an advocacy role on behalf of the County's senior population.
- Sponsor and support legislation that expands and enhances the quality of services to seniors.








Potential Significant Risks

- Legal exposure for instances of elder abuse from In-Home Supportive Service Providers (not employees of DAAS).
- Changing demographics will increase the need for funding for DAAS.
- Population gaining longevity and developing more care and medical problems.
- Increasing costs for DAAS and the ability of the County to meet their matching local cost.
- Decrease in the amount of Federal and State grant dollars received in future years to continue the level of service effort needed for the County's seniors.
- Security for Public Health Nurses and Social Workers providing in-home care assessments for seniors.
- Sub-recipient and contract monitoring for services provided by cities and third-party vendors.
- Case management load may extend beyond capacity due to the amount of the constituents served.

Internal Audit Suggestions

DAAS has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed to verify key controls are in place and are functioning. Tests should include ascertaining regulatory reporting accuracy and timeliness, proper monitoring of contract employees and clientele receiving services, sub-recipient monitoring and ascertaining that goals are met in the strategic plan.

AGRICULTURE, WEIGHTS & MEASURES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Department of Agriculture, Weights & Measures (AW&M) enforces state and local laws protecting the environment, public health, worker safety, and the general welfare of the public by regulating the agricultural industry, pest control businesses, and all business transactions based on count, weight, and volume. AW&M falls under the responsibility of the Agricultural Commissioner/Sealer and has a staff of 69. The duties of the Department are segregated between three divisions: Consumer Protection, Pesticide Regulation, and Pest Prevention. The Consumer Protection division handles device inspection, weight master inspection, petroleum inspection, quantity control, scanners, and fruit, vegetable and egg quality control. The Pesticide Regulatory division is responsible for pest management, pesticide use enforcement, weed eradication, apiary regulation, soil erosion control, native plant protection, control of vegetation along state and county road right-of-ways and flood control channels, manufacture of rodent bait, and the predatory animal control program. The Pest Prevention division is responsible for pest exclusion, nursery/seed inspection, pest detection, and insect pest eradication. For the 2001-2002 fiscal year, appropriations are approximately \$5.0 million, which represents 0.2% of the County's overall budget. The budgeted revenues totaled \$3.4 million.

Business Objectives

- Enforce applicable state laws and regulations.
- Continue to operate within established budget.
- Maintain adequate staffing levels for current programs.
- Continue to keep abreast of technological advances in the field.
- Improve efficiency by providing laptop computers to field inspectors.








Potential Significant Risks

- Environmental risks associated with pesticides and herbicides.
- Liability exposure from pesticide application.
- Potential loss of funding from noncompliance with state standards.

Internal Audit Suggestions

AW&M has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed to verify that key controls are in place and are functioning. Specific testing should focus on areas of compliance with health regulations involving pesticides and herbicides control and other state laws. Additional testing activities should entail review of internal controls over accurate and timely reporting, appropriate monitoring and performance of inspections.

AIRPORTS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Department of Airports provides for the management, maintenance, and operation of five County owned airports. These airports are located in Chino, Barstow-Daggett, Needles, Twenty-nine Palms, Baker and the Special District facility at Apple Valley. The Department also assists the County's private and municipal airport operators in planning, interpreting, and implementing FAA aviation requirements. The Department's primary activities cover two basic functions: (1) business operations and (2) fiscal/public operations. In the business operations, the Department enters into different types of lease agreements with tenants of the airports. These lease agreements varies in nature and terms. There are approximately 400 leases that are structured as either ordinance or non-ordinance leases. The non-ordinance leases are subject to involvement of other County Departments and approval of the Board of Supervisors. In the fiscal/public operations, the Department is responsible for the usage of its runways by the public for various activities. The Department does have a bond issue related to the Commercial Hangar Facility located at Chino Airports which was constructed in 1987 and is budgeted as a separate unit.

The Department has approximately 30 employees. For the 2001-2002 fiscal year, the Department has budgeted revenues of \$2.7 million. Approximately 92% of its overall budget funding comes from lease and rental agreements while only 2% comes from California Department of Transportation (Caltrans) grants during the current fiscal year. The Department is anticipating a reduction in rent revenue resulting from the United States Army vacating its leased premises at the Barstow-Daggett Airport.

Business Objectives

- Establish internal controls over cash management functions.
- Establish policies and procedures for managing and monitoring compliance requirements related to real estate lease/covenants.
- Develop other revenue resources to fund various projects.
- Improve contracting skills.
- Introduce a business method approach and attitude for managing the airports.
- Develop department professionalism in its overall operations.
- Develop and implement an optimized web base contracting software to manage and track lease agreements and the related payments.
- Improve lease and concession operations management.
- Address, with the Risk Management Department, the consideration of a new methodology for assessing the airport risks in relations to its insurance premium.








Potential Significant Risks

- Risk of airplane crashes.
- Non-compliance with FAA and Caltrans laws and regulations including non-compliance with grant covenant resulting in loss of revenue and other sanctions.
- Continue increase in insurance premium costs especially in light of the September 11 events resulting into operating cash flow restraints.
- Risk of losing a hanger, which will affect department's operating cash flow and increase its insurance premium.
- Public safety risk inherent in airport operations.
- Non-compliance with real estate covenants.

Internal Audit Suggestions

The Department of Airports has an overall moderate risk rating. The Internal Audit Strategy should begin by gaining an in-depth understanding of the control environment that the Department operates under. Specific testing activities should focus on ascertaining the Department's compliance with all required Federal and State operating guidelines including FAA and Caltrans grant agreements. Additionally, audit procedures should be designed to ensure on-going compliance with leasing policies and procedures and the on-going activities of property management including billings, collections, lease increases, etc. Internal audit planning of this audit should incorporate review of any findings reported from other independent stand-alone audits conducted on the Department.

ARCHITECTURE & ENGINEERING

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Architecture & Engineering Department (A&E) is responsible for the planning, design, and administration of the County's Capital Improvement Program. A&E has a staff of 24 that prepares bid packages and advertisements for bid, negotiates and administers projects for design and construction project management services through completion of the project. A&E is organized into three groups, each under a senior project manager: project management, finance, and inspection. Outside consultants are used regularly to supplement the staff in specialized areas and when the workload is heavy. The appropriations budget for 2001-2002 is approximately \$1.4 million, which is charged back to "client departments". This represents .02% of the County's total budget.

Business Objectives

- Increase training budget for employees.
- Create desk manuals for critical functions and "How to deal with them."
- Obtain uniformity in the project management filing system.
- Update computer systems in the offices and laptops for field personnel.
- Plan for future staffing (succession planning).








Potential Significant Risks

- Flawed architectural plans cause change orders to be negotiated.
- Not completing projects due to substandard performance of Contractors hired to provide the services.
- Not meeting project deadlines due to circumstances many times beyond the control of the Department.
- The potential for damage claims as a result of a construction project mishap.

Internal Audit Suggestions

A&E has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify key controls are in place and are functioning. Specific audit procedures should be developed for the contract bidding, negotiation and acceptance activities. Additional procedures should be developed to test project management time and allocations.

ARROWHEAD REGIONAL MEDICAL CENTER

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

Arrowhead Regional Medical Center (ARMC or the Center) provides inpatient and outpatient medical care to County residents in accordance with State laws. ARMC opened in March 1999 and serves as one of two trauma centers for the Inland Empire basin. ARMC has approximately 2,100 employees and 370 beds. Ninety of the beds at the Center are designated for behavioral health cases. The Center is currently running near full capacity. The Center also operates five outlying health clinics for limited outpatient services.

ARMC operates through an enterprise fund. Under this system, revenues earned from operations are retained to fund operations and debt service obligations. The Center's gross revenue is estimated at \$400 million, with net budgeted revenue of \$225 million. This represents approximately 9% of the County's budget. Except for emergency treatment coverage, ARMC has very little interactions with HMOs or other contracting healthcare providers. The Center serves primarily patients of Medi-Cal, Medicare, private insurance, Indigents Service, Sheriff and Behavioral Health.

Business Objectives

- Control expenses and maximize revenue through benchmarking against other medical centers.
- Maintain asset quality condition and performance.
- Retain and maintain qualified staff, especially at key executive and nursing positions.
- Insure proper policies and operating procedures are in place, enforced, and monitored.
- Maintain consistent training to educate staff on business practices.
- Maintain quality of service while experiencing growth.








Potential Significant Risks

- Potential legal liability for the mental health patients, which requires the Center to spend significant resources that are not fully reimbursed.
- Staff turnover and loss of qualified staff.
- Prioritizing medical service needs for patients, especially in the emergency ward.
- Misdiagnosis by doctors and interns (medical malpractice lawsuits)
- Contamination and exposure, especially for internal staff (i.e., injections to patients who are HIV+).
- Theft of equipment and medication.

Internal Audit Suggestions

ARMC has a high risk rating mainly due to the inherent risk related to medical facilities and the potential liability associated with malpractice. The potential liability risk factors have a high likelihood of occurrence with a significant amount of monetary and reputation damage to the County especially given the fact that the County is self-insured. The initial internal audit should focus on performing a comprehensive process understanding of the operational, financial, and regulatory compliance areas of the Center. Internal audit should identify the internal controls in place to mitigate key risks and assess the adequacy of the internal controls environment. Tests will then be designed and performed to validate key controls and ensure compliance.

ASSESSOR

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Assessor has four basic responsibilities: 1) Locate and describe all taxable property in the County and identify ownership; 2) Establish a taxable value for all property subject to property taxation; 3) List all the taxable value of all property on the assessment roll and 4) Apply all legal exemptions. The Assessor maintains current records on approximately 675,000 parcels of real property, 43,000 business property accounts and 33,000 other assessments, including boats, aircraft and manufactured home accessories. The Assessor also administers 17 different types of property tax exemptions including homeowners, veteran, disabled veteran, church, religious and welfare exemptions.

Approximately 201 employees staff the Assessor's office. The appropriations for the Department for the current year are \$14.5 million or 0.6% of the County's overall budget. The Assessor's revenue is \$2.5 million.

Business Objectives

- Maintain and improve the current efficiency of all Departmental processes.
- Continue to improve quality control and the high level of service provided to the public by the Assessor staff.
- Update computer systems/technology to provide increased productivity in order to meet the increased workload demands.








Potential Significant Risks

- Loss of information (e.g., tax roll data) due to information technology systems failures. The Assessors information systems are maintained and supported by ISD. All information is backed-up and stored at remote sites to mitigate/minimize the risk. It is essential that technology be maintained to meet the increasing demands.
- Accuracy of assessment values. Many checks and balances have been incorporated into the PIMS (Property Information Management Systems) to alert staff of potential errors and flag any inordinate values. The State Board of Equalization performs an audit of the Assessor's policy and procedures to assure the accuracy of appraisals. These checks and balances minimize the risk of inaccurate assessment values and indicate the San Bernardino Assessors accuracy is close to 100%.
- Loss of the Property Tax Administration Program revenue (state funding). The state has found it mutually beneficial to supplement the Assessor budget in order to reduce the assessment backlog. If this program were discontinued, there would be a dramatic reduction in the number of assessments that are achieved and ultimately result in reduced revenue to the state, as well as the County.

Internal Audit Suggestions

The Assessor's Department has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify key controls are in place and are functioning.

AUDITOR - INTERNAL AUDIT/MSS/RPS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Office of the ACR has three divisions: Auditor, Controller and Recorder. The Auditor division provides for a variety of accounting services including those performed by the Internal Audit Section, the Management Services Section, and the Reimbursable Projects Section. Since Internal Audit is responsible for conducting the assessments and audits within the County, it is not subject to an internal audit.

The Management Services Section (MSS) has a staff of 11 people to complete a variety of tasks. It is responsible for the cost accounting allocation for the County. MSS provides project management advisory services to County Departments and assists with the implementation of new specialized accounting programs. MSS also develops and designs accounting systems and procedures to address management information needs. Additionally, it advises all County Departments on matters of accounting controls. Throughout the year MSS provides operational support for the Financial Accounting System (FAS), including system problem resolution and hotline services. MSS obtains information from all areas of the County to prepare financial reporting. The Section also reviews the financial information before preparing cost allocation formulas. The financial information prepared by MSS is audited by the State Controller's Office.

The Reimbursable Projects Section (RPS) is responsible for maintaining and tracking costs and reimbursements throughout the County. RPS files and tracks claims related to disasters and state mandated programs. RPS also processes the information related to internal service funds including the billings to user departments and financial statements for the Consolidated Annual Financial Report for the County.

Business Objectives

MSS:

- Ensure accuracy and timeliness of financial reporting.
- Streamline operations specifically through enhanced use of technology, improved coordination and communication.
- Implement staff training programs including cross training.
- Attract and retain qualified staff and ensure adequate staffing throughout the Section.
- Standardize processes and implement written procedures.
- Improve process efficiency through the use of technology.

RPS:

- Maximize the County's reimbursements.
- Provide timely and accurate accounting services to the Internal Service Funds.
- Obtain stability in staffing.
- Make work processes more effective and efficient through ongoing review of policies, procedures, and technology.
- Ensure staff has adequate training.
- Utilize existing technology.
- Develop improvements to existing technology.
- Manage effort to assure all departments maximize SB 90 claims and reimbursements.

Potential Significant Risks

MSS:

- Assure accurate and timely external/regulatory reporting.
- Insure accurate internal reporting and development of cost allocation formulas throughout the County.
- Protect against data loss and business resumption risks.








RPS:

- The loss of Section expertise due to staff turnover and inadequate procedure documentation could result in negative impacts on the department's reputation and cost recovery.
- Inaccurate rate studies for the Internal Service Funds could impair the department's reputation.
- Incomplete, inaccurate or late cost reimbursement claims could result in payback of funds received or funds never claimed.

Internal Audit Suggestions

The Auditor-Internal Audit/MSS/RPS has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Tests can then be designed and performed to verify key controls are in place and are functioning. Specific tests should include ascertaining the reasoning and calculations for the Countywide cost allocation system. Additional testing should be performed on timeliness of reports and claims processing. Other testing should concentrate on accuracy of internal service fund billings and accounting.

BEHAVIORAL HEALTH

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Behavioral Health Department consists primarily of the Mental Health Division and the Office of Alcohol and Drug Abuse Programs. Under state law, it provides mental health treatment and prevention services to all County residents. In order to maintain a continuum of care, the Department operates or contracts for the provision of 24-hour care, day treatment, outpatient services, case management, and crisis and referral services. Community services are provided in all major County metropolitan areas and are readily accessible to most County residents. Under its Office of Alcohol and Drug Abuse Programs, Behavioral Health Department also provides comprehensive substance abuse services to County residents. Services are provided by six County operated clinics and 32 contracted organizations consisting of 28 community-based non-profits, two profit methadone treatment providers, one city and one County Department. The Department also maintains a special patients account to monitor funds set aside for special purposes. The Department services approximately 30,000 outpatients of all ages annually. Approximately 60% of the entire Department staff have clinical responsibilities.

For the fiscal year 2001-2002, the Department's budgeted appropriation and revenue are approximately \$119.8 million and \$117.7 million respectively. This represents approximately 4.8% and 5.1% of the County's overall budget respectively. Approximately 40% of the Mental Health Division and 80% of the Alcohol & Drug Division operating revenues are funded by Federal and State monies (i.e., Medicare & Medi-Cal reimbursements). The Alcohol & Drug division represents 20% of total Department's operating budget. The entire Behavioral Health Department has a total staff of 808 that includes both professional and clerical personnel. On an annual basis, the Department is audited for Medicare Part A (inpatient) and Medi-Cal reimbursable costs. Medicare Part B (insurance subsidized costs) has no required annual audits. The Department provides continuing education training for all medical professional and licensed staff.

Business Objectives

- Continue to meet and maintain staff/client safety standards.
- Maintain and continue to improve quality of care.
- Hire and retain both lower and upper level staffing.
- Offer competitive salary and benefits.
- Meet and comply with HIPAA (Health Insurance Portability and Accountability Act) seven-year implementation policy.
- Continue to review and improve client-service delivery system.
- Re-focus in-house clinic-based services towards a recovery and wellness model consisting of multi-disciplinary teams and community partnerships.
- Continue to maintain a cross section of care available in all regions for clients.
- Replace client information database to enable web-based connectivity for staff and contractors.
- Construct a new administration center for the Department.








Potential Significant Risks

- Potential loss of federal, state Medicare and Medi-Cal funding from non-compliance with laws & regulations.
- Potential lawsuit resulting from the risk of all forms of abuse (i.e., physical, mental, etc.) of patients by Department staff.
- Personal & County liability exposure resulting from entering, incorrectly approving and filing inappropriate/false billing codes.
- Loss of staff due to non-competitive salary.
- Risk of losing Federal and State funding due to lack of staffing retention.
- Risk of retroactive refunding federal/state oversight agencies for reimbursements previously received due to ongoing changes in state laws and regulations.

Internal Audit Suggestions

Behavioral Health has an overall high-risk rating. The Internal Audit strategy should begin by gaining an understanding of the control environment that the Department operates under. Specific testing activities should focus on internal controls over Mental Health and Alcohol and Drug programs' routine and non-routine operations. Additional testing should be performed to determine whether key controls are in place and operating as intended. Such testing should include ascertaining cost reimbursement reports are properly prepared, adequately reviewed, and timely submitted in accordance with federal, state Medicare and Medi-Cal laws and regulations. Other tests should include reviewing staff/patient safety policy and procedures for adherence to state and federal safety standards. Finally, internal audit should verify that the Department is preparing cash-flow analysis to determine whether adequate cash reserves are established to meet unforeseen/unexpected liability resulting from on-going Federal and State laws and regulations.

BOARD OF SUPERVISORS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Board of Supervisors is the governing body of the County government and Board-governed special districts. It establishes policy and exercises supervision over the official conduct of all County officers, Board-governed districts and special commissions. The Board has five members and is staffed with 40 employees. The Board approves and adopts the annual budget and initiates and makes recommendations regarding proposed legislation at state and federal levels. The Board's budget for the 2001-2002 fiscal year is approximately \$4,000,000, which represents 0.2% of the overall County's budget.

Business Objectives

- Continue strategic planning process.
- Meet with County staff to understand key initiatives and issues.
- Develop new objectives for County.
- Use technology to improve communication with the constituents








Potential Significant Risks

- Obtaining critical information in a timely manner.
- Making decisions based on limited time and information.

Internal Audit Suggestions

The Board of Supervisors has an overall low risk rating. The Internal Audit Strategy should focus first on gaining an understanding of the Board's ethics policy, gift acceptance policy, and reporting structure. Testing should be performed on transactions for reimbursement claims and other areas based on understanding.

COUNTY ADMINISTRATIVE OFFICE – CAPITAL IMPROVEMENT PROGRAM & DEBT FINANCING

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Capital Improvement Program (CIP) and Debt Financing Section of the County Administrative Office is primarily responsible for planning, developing, and managing the budget process for all of the County's capital projects, and the debt financing used to fund certain large projects. Each Department submits its preliminary capital project budget to the Section for review of both the funding and project description. Each project is sequentially ranked during the budget process in accordance with its importance. This Section has two budget analysts who perform all fiscal responsibilities. Staff in this Section also maintain a database containing all pertinent information regarding the County's outstanding debt portfolio. The information in the database is used to prepare the annual budget for debt service payments and related fees and charges. For 2001-2002, the cost of long-term lease payments for Joint Power Facility Agreements totaled approximately \$23.6 million in general fund appropriations. Major capital projects, such as the West End Juvenile Facility and Arrowhead Regional Medical Center, used debt financing as the primary source of funding. Non-major capital projects are funded by other means. The County's Debt Advisory Committee, which was appointed by the County Board of Supervisors, meets monthly to address issues related to management of the County's debt portfolio (i.e., taking advantage of low interest rates by refinancing). The Section manages approximately 15 to 20 outstanding capital projects and retains the services of an outside financial advisory group.

Business Objectives

- Prepare and implement written operating policies and procedures for managing debts related to capital projects.
- Analyze all existing debts and formulate a comprehensive debt reduction plan.
- Monitor and assist in the management of the CIP.
- Develop procedures to review and authorize mid-year CIP requests.








Potential Significant Risks

- Poor credit ratings may result from untimely lease payments and improper debt management.
- Non-compliance with bond covenants may occur.
- Potential market risk (i.e., increase interest rates) could result from variable rate financing.
- Incorrect arbitrage rate calculation may occur.
- Non-compliance with continuing disclosures requirements could occur.

Internal Audit Suggestions

The Capital Improvement Program and Debt Financing Section of the County Administrative Office has an overall moderate risk rating. The Internal Audit strategy should begin by gaining a comprehensive understanding of the control environment under which the Section operates. Specific testing activities should be performed to ascertain if existing written policies and procedures are adequate to manage the budget process for various capital projects, or whether revisions or additions are necessary. Additional testing should be designed to ensure that the Section is in compliance with the "Public Debt issue Continuing Disclosure" requirements as well as bond covenant requirements.

COUNTY ADMINISTRATIVE OFFICE – OPERATING BUDGET – DEVELOPMENT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgnt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Operating Budget Section of the County Administrative Office is responsible for working with County Departments to develop and monitor their budgets each year. The Operating Budget Section encompasses all County Departments. The Budget development is performed by Administrative Analysts in conjunction with the departments. The Deputy Administrative Officer in charge of the budgeting process is the person responsible for the overall budget development and monitoring.

The budget process begins in February when the County Administrative Office determines projections for general fund revenue items (i.e., taxes and licenses). The County Administrative Office may consult local economists in developing forecasts of County revenue sources such as sales tax and vehicle license fees. Similarly, baseline expenditure projections for each general fund Department are calculated based on the MOU and other cost indicators. In March, the departments review this information and project their program revenues and discretionary expenditures. The Administrative Analysts review these figures during the month of April. In May, the County Administrative Office, the Board of Supervisors, and Department representatives convene for budget workshops to finalize the budget projections for the following fiscal year. Proposed budgets are presented to the Board of Supervisors for approval by the end of June each year.

After the budget is adopted for the subsequent fiscal year, monitoring of the budget begins. Monitoring consists of reviewing monthly FAS reports and comparing the actual revenue and expenditures to budget and current year-end projections. The year-end revenues and expenditure projections are revised on a continuous basis throughout the year.

Business Objectives

- Cross-train staff to handle many departmental budgets.
- Hire analysts to handle special projects and Board of Supervisors' requests.
- Continue to provide budget instructions sent via e-mail.
- Provide more information to the general public about the budget (i.e., post it on the internet).
- Increase the amount of long range planning and budgeting efforts out five years.
- Estimate staffing and operational costs associated with future County expansions (i.e., West Valley Detention Facility).
- Continuing the year-end reporting of the budget to actual figures to allow for future trend analysis needs.








Potential Significant Risks

- Budget projections may be materially over or under estimated due to a change in circumstances such as economic activity and funding level changes from federal and state government.
- Continued reliance on local cost funding services may be inadequate considering the changing and growing population of the County.
- New or changing legislation could result in a loss of funding.
- Contingency reserves may be too low.

Internal Audit Suggestions

The Operating Budget Section of the County Administrative Office has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Tests will be designed to verify that key controls are in place and functioning. Specific tests will include ascertaining compliance with County ordinances and State guidelines for budget preparation. Additional testing will focus on ensuring revised budget adjustments are processed in a timely manner and current monitoring processes are effective.

COUNTY ADMINISTRATIVE OFFICE – OVERSIGHT DEPARTMENTAL COMPLIANCE

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Oversight Section of the County Administrative Office is responsible for administrative oversight of County Departments. Some of the tasks performed are:

- Provides management services to the departments;
- Ensures departmental compliance with County policies;
- Monitors fiscal compliance and oversight of departments; and
- Collaborates with departments to solve problems.

Business Objectives

- Collaborate with departments to resolve problems.
- Develop strategic plans for management.
- Document current procedures at the County Administrative Office.
- Review and automate County procedures for performing various internal and external administrative processes, such as time and labor reporting.
- Study other counties to benchmark management systems and processes.








Potential Significant Risks

- Failure to develop a succession management program could lead to instability in County Departments.

Internal Audit Suggestions

The Oversight Section of the County Administrative Office has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests will be designed to verify that key controls are in place and functioning. Specific tests will include ascertaining compliance with the County Government Code and California State Code of Regulations. Other tests will include a review of the Department's budgetary compliance at regular intervals throughout the year.

CHILD SUPPORT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Department of Child Support Services (DCSS) is responsible for managing a federally mandated program administered by the State Department of Child Support Services. The program is governed by Title IV-D of the federal Social Security Act. The Department's primary responsibilities include locating absent parents, establishing paternity and support orders pursuant to state guidelines, and enforcing child support obligations. Additional responsibilities include modifying support obligations, collecting child support arrearages, and receiving and distributing child support payments. The Department has approximately 730 authorized positions in branch offices in Victorville and Rancho Cucamonga in addition to its main office in Loma Linda.

Case management, receipt processing, payment distribution and statistical reporting are accomplished with an automated system called STAR/Kids. STAR/Kids is one of six interim systems used by county programs in the state until a statewide case management system is completed. Three other counties are in the STAR/Kids Consortium. Management and support of the system are handled by a separately funded technology group in Riverside County. Riverside is the lead county in the consortium. Actual data processing for the system is handled by a state service center in Sacramento. The County Information Services Department oversees the IT infrastructure needed to operate the system and to process batch files for overnight updates of data. Files are received nightly from Sacramento that are used by ISD and the A/CR to produce checks to distribute child support payments to recipients who are not on public assistance. Payments received for households on public assistance are distributed to the County TANF program after a \$50 offset is sent to the recipient household. DCSS also interfaces with the A/CR's Office via the FAS system for business and payroll purposes. Currently, the Department collects about \$125 million per year in a caseload of about 165,000 open cases. At current staffing levels, support officers who manage caseloads are responsible for about 1200 cases each.

Federal funding reimburses the state for 66% of program costs and pays states graduated incentives for meeting program performance objectives. 100% of County program costs are reimbursed by the state with state and federal funds. The County appropriation for the program in the 2001-2002 fiscal year is approximately \$41.1 million, which is matched by \$41.1 million in revenue from the state. This amount represents 1.6% of the County's overall budget.

Business Objectives

- Fill vacant positions and increase authorized staffing to reduce support officer caseloads
- Improve customer service in order to make the program more responsive to client needs.
- Revise business processes to improve the department's performance in the federal performance measures.
- Revise legal processes to obtain support orders based more closely on actual ability to pay and to reduce the proportion of orders obtained by default.








Potential Significant Risks

- Staff injury as a result of violent actions by angry customers.
- Unreliable data due to inaccurate or incomplete data in the STAR/Kids system.
- Delays in case processing or payment distribution due to system unreliability.
- Financial loss due to financial errors in cash processing.
- Distribution errors due to incorrect posting of cash receipts and payments.

Internal Audit Suggestions

Child Support Services Department has an overall moderate risk rating. The Internal Audit Strategy should begin by gaining an in-depth understanding of the control environment under which the Department operates. Specific testing activities should be designed to validate key controls over child support collections, receipt processing and payment distribution. Additional testing should be performed to determine whether key controls are in place to monitor and prevent fictitious case set-up and internal system abuse.

CHILDREN SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Department of Children's Services is a Federal, State and Locally funded program that provides a broad range of Child Welfare Services to children and families. These services include: child protective services; case management; diagnosis; placement; adoption; and treatment services for children and their families. One of the primary functions of the Department is to provide qualified foster care homes for children. The Department uses a variety of placement resources and is responsible for monitoring the quality of care these agencies provide.

Children Services uses a state-administered automated case management system called the Child Welfare Services/Case Management System (CWS/CMS) to track case information and foster care services data. The Department routinely receives approximately 25,000 child abuse and neglect referrals from both mandated reporters and the general public. Twenty-five percent of all referral cases are resolved over the telephone without performing any formal investigation. Based on state statistics, the Department's current caseload per worker is twice the recommended level. Children Services is having difficulty in attracting qualified Social Services Practitioners and Social Services caseworkers due to market competition with other counties and other social service agencies.

State law requires the County to maintain a mandated minimum County funding level. In addition, the State Child Welfare Allocation, state realignment dollars and various Federal-funding sources are used. The Department has approximately 800 full-time-equivalent positions that consist of social services practitioners, social service workers, clerical staff, child welfare managers and deputy directors. For the fiscal year 2001-2002, budgeted revenues totaled approximately \$65 million. Appropriation for the same budget period totaled \$65 million, which represents 2.6% of the County's overall budget.

Business Objectives

- Continue the aggressive recruitment process to attract and retain qualified Social Services Practitioners and Social Services Workers.
- Monitor and adjust the social worker caseload to a manageable level.
- Provide in-field staff caseworkers with the means to aid in the timely completion of investigation reports.
- Improve/upgrade current information technology system to provide increased speed and remote access to the CWS/CMS System.
- Support lobbyist against new federal regulations that negatively impact caseload management and monitoring responsibilities.
- Improve training and investigative techniques to improve overall staff professionalism.
- Conduct annual client satisfaction surveys to improve overall customer service delivery.
- Continue to conduct employee exit conferences to determine reasons for turnover and to find ways to improve on retaining qualified staff.








Potential Significant Risks

- Loss of qualified professionals due to competitive job market.
- Non-compliance with mandated Federal and State laws may result into loss of program revenue and other sanctions.
- Significant financial exposure to various lawsuits resulting from non-compliance with child care safety laws, child-abuse, child-endangerment, death of child in foster care, inadequate mandated supervision, etc.
- Risk of accident or injury to caseworker and/or foster child traveling in County provided vehicles.
- Unanticipated changes in Federal or State law, regulation and/or court decisions may impose an unfunded burden on the Department to implement new policies, procedures and practices.

Internal Audit Suggestions

Children Services has an overall moderate risk rating. The Internal Audit Strategy will begin by obtaining an understanding of the control environment including the accounting system that the Department operates under. Specific tests may be designed to verify that key controls are in place and operating as intended. Other tests will be concentrated in the area of regulatory compliance involving the Department's mandatory monitoring responsibilities of foster child care safety and required field visits of out-sourced foster child care facilities to ensure compliance with Federal and State statutes.

CLERK OF THE BOARD

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Clerk of the Board of Supervisors is the official record keeper for the Board of Supervisors. Examples of some of the Clerk's specific duties are:

- Document the minutes of all meetings of the Board of Supervisors;
- Maintain the files for all actions of the Board;
- Distribute copies of orders and directives of the Board;
- Schedule, prepare and distribute the board agenda;
- Prepare notice of the hearings and disperse direction of particular boards; and
- Update, publish and distribute the County Code, supplements and ordinances.

The Clerk of the Board office has 15 budgeted positions. For the 2001-2002 fiscal year, the Clerk has budgeted an annual revenue and appropriation of approximately \$868,000, which represents 0.03% of the County's overall budget.

Business Objectives

- Increase staffing in order to reduce current workload to manageable status.
- Conduct cross training of staff to appropriately match function with positions and improve efficiency.
- Continue reduction of assessment appeals backlog.
- Rewrite current written policies and procedures.
- Establish new revenue sources and increase funding.
- Automation of key routine functions.
- Improve records management.
- Update County Codes.








Potential Significant Risks

- Untimely posting of critical public information.
- Inaccurate recording of Countywide Board information.
- Lack of adequate protection of confidential County record.
- Public access to confidential information.

Internal Audit Suggestions

The Clerk of the Board of Supervisors has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the control environment under which the Department operates. Specific testing activities should be performed to validate the existence and operating effectiveness of key controls. Other tests of details may be performed to verify that important Board information is properly and timely posted, minutes are accurately recorded, and adequate protection exists over safeguarding confidential information.

CLERK, RECORDER OPERATIONS AND RECORDS MANAGEMENT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Recorder Division of the ACR Department is responsible for accepting all documents that comply with applicable recording laws along with producing and maintaining official records relating to documents evidencing ownership and encumbrances of real and personal property and other miscellaneous records. In addition, the Division has two sub-sections, County Clerk and Records Management, which perform separate functions. The Office of the County Clerk produces and maintains the official records relating to vital statistics, fictitious business names, and other entities required by the State. Records Management section operates as an Internal Service Fund that is responsible for storage of county documents and for records destruction. This section relocates inactive files from County Departments into a central storage facility, where the files are maintained and made accessible to user Departments upon request. Additionally, Records Management also identifies records eligible for destruction based on schedules established by the owning department. The Division has approximately 50 employees.

Business Objectives

- Installation of new cashier imaging system.
- Change from manual document examination to electronic and offer staff training for the new automated system.
- Continue the systematic installation of new systems for other functions.
- Reduce the workflow overload for supervisors performing multi-functions.
- Consolidate the indexer & examiner positions into one position.
- Improve and automate record management tracking system.
- Establish tracking system for storage of boxes by per cubic feet and revise billing methodology.
- Minimize overall cost of the Records Management Program.








Potential Significant Risks

- Legal and legislative developments regarding confidential recorded documents or vital records.
- Daily processing of high volume of financial transactions including check and cash transactions.
- Need to assure compliance with vast and varied legal requirements for retention of documents.
- Lack of record retention policies & procedures in place.
- Need to protect stored records from destruction including destruction as a result of natural disasters (i.e., fire, flood, etc.)
- Need to assure adequate back up of recorded documents, vital records, and other permanent records.

Internal Audit Suggestions

The Recorder Office Division of the ACR Department has an overall moderate risk rating. The Internal Audit Strategy will begin by obtaining an understanding of the control environment under which the Division operates. Specific testing activities should be concentrated in the areas of compliance, security over confidential information, and key controls over financial transactions processing. Other testing activities should be performed to ascertain that the Division has written policies and procedures in place for record retention, maintenance and record tracking.

CONTROLLER - FA/GA/AP/PAYROLL/ PROPERTY TAXES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Controller Division of the ACR Department is responsible for five primarily accounting roles in the County: Fund Accounting, General Accounting, Accounts Payable, Payroll and Property Tax. Each of these roles is organized by a Section.

The Fund Accounting Section maintains the Financial Accounting System (FAS) ledgers and reports; verifies validity of and processes transfers; verifies the availability of funds for processing appropriation transfers; batches all types of documents for data entry; identifies documents rejected due to error; accomplishes on line corrections of transfer and deposit errors; maintains files for transfers and deposits; handles consolidated banking; and reconciles bank records to the Treasurer's records. A sub-unit of this Section (Data Entry) keypunches all transactions and transmits all keyed batches to Information Services. Fund Accounting and Data Entry have a staff of 11 in their Section.

General Accounting compiles budgets, prepares financial statements, reconciles Treasurer's and Auditor's records, computes taxes and maintains the accounting code book and the general ledger. General Accounting also maintains fixed assets records of all Special Districts and Departments fixed assets. This Section is responsible for maintaining bond and debt service records, computes reserves and provides Property Tax with debt requirements, verifies bond and coupon payments and initiates warrant requests. General Accounting is responsible for compiling information for the Consolidated Annual Financial Report. General Accounting has a staff of six.

Accounts Payable processes 1,500 payments a day for all County Departments and Special Districts. Accounts Payable audits claims, issues and mails warrants for legal and valid claims (except payroll, schools, and welfare). This Section verifies departmental reports and remittances, and certifies permits to deposit monies with the County Treasury. There are 14 staff members in the Accounts Payable section.

The Payroll Section is responsible for the bi-weekly payroll duties for 19,000 employees with a staff of 17. PeopleSoft (EMACS) is the payroll information system used. The EMACS team support includes programming, human resources and payroll. On a bi-weekly basis, departments submit a Time and Labor Report (TLR) for each employee in their department. All TLRs are manually entered into the EMACS system, except for ARMC and Public Works. ARMC uses a swipe system (Kronos Card) and sends their information to EMACS electronically (about 3,000 employees). Public Works sends its TLRs to EMACS electronically from its in-house system. This Section must resolve exceptions to the payroll prior to issuing the warrants. Payroll also must review and reconcile the various payroll

trust funds on a monthly basis and prepare the payroll tax deposits for the Federal and State government as well as the payroll tax returns.

Property Tax compiles assessed valuations for all agencies, checks and proofs the tax rolls by code area, enters all penalties and corrections, sets the tax rate for debt service, maintains the tax charges for the County Tax Collector, sets and releases subdivision tax bonds and apportions taxes to the County Service Areas and local Cities. There are nine staff members in the Section. In the daily operations the staff must deal with legal issues regarding distribution of revenue to local cities and County service areas.

Business Objectives

- Implement GASB 34 in General Accounting and Fund Accounting.
- Convert to web based technology for processing claims through Accounts Payable.
- Decentralize the input of documents into FAS.
- Continue to cross train staff.
- Fill the vacancies in the positions in the Department with qualified people.
- Implement PeopleSoft 8.3 in 2002 so Department employees can enter their hours directly.
- Streamline processes now in use for Payroll.
- Improve and streamline internal controls.
- Automate manual processes.
- Write a policy and procedures manual.
- Implement new MOU changes in Payroll.
- Develop a website for processing refunds to taxpayers.
- Streamline procedures in office for processing Unitary Transfer Taxes.
- Continue to provide outstanding customer service to the public.








Potential Significant Risks

- Meeting deadlines with other governmental agencies for financial reporting.
- Assure prevention or correction of duplicate payments issued to vendors.
- Assure the accuracy of payroll warrants.
- Assure accurate and correct entries into the payroll process.
- Critical deadlines cause high stress levels in the Section.
- Information used for billing for property taxes and special assessments is reliant upon other County government offices providing correct information to property tax section.
- Need for automated systems to minimize downtime disruption.
- Risk of litigation involving County if dispute arises related to allocation of property taxes.

Internal Audit Suggestions

The Controller Division has an overall high-risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed to verify key controls are in place. Tests will include the examination of accounts payable, general accounting, property tax and payroll process and procedures.

CORONER

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Coroner's Department under the directives of the Government Code, State of California, Section 27491 and Health and Safety Code Section 102850, investigates deaths to determine the cause and clarify all circumstances surrounding or pertaining to the manner of death. The Coroner Office investigates approximately 9,000 deaths annually and maintains offices in Victorville, Morongo Valley, Needles and San Bernardino. Approximately 180 of the deaths investigated annually involve homicides. The primary responsibilities of the Coroner's Department at a crime scene involves taking control of the body to prevent movement and contamination of critical evidence which may be used by the District Attorney's Office. The Coroner's Department uses autopsies as needed for determining the manner and cause of deaths. The Coroner's Department is part of the San Bernardino County Emergency Response Team that engages in special recovery missions involving terrorist acts, air crashes, chemical contamination or natural disasters.

For the 2001-2002 fiscal year, the Coroner's annual budget is consolidated with the Offices of Public Administrator and Public Guardian/Conservator. The consolidated budgeted revenues and appropriations are approximately \$4.5 million, which represents 0.2% of the County's overall budget. The Coroner is an elected position. The department budgets for 15 Deputy Coroner positions and 6 Supervisory Deputy Coroner Positions. The Division uses the Coroner Medical Examiner System (CME) to process and track case related information. Also, the Department has the responsibility to account for deceased individuals liquid assets in a trust account.

Business Objectives

- Consider researching new forms of program funding sources to offer new programs.
- Develop bar coding system to track Departmental Inventory information related to bodies and personal belongings in its custody.
- Expand the space of present facility to keep body on premise instead of shipping to off-site facility.
- Establish network connections to the Needles office for better coordination of functions and processes.
- Continue improvement in the response time to crime scenes.
- Build an infrastructure at the west-end due to increase in reported deaths as a result of population growth in the area.
- Improve staff professionalism in dealing with the public while conducting business.








Potential Significant Risks

- Health risk of infectious diseases related to body contamination at death.
- Risk of cremating the wrong body.
- Health risk related to chemicals used in autopsy labs.
- Potential lawsuits from deceased's family as a result of alleged missing property of the victim.
- Risk of theft of deceased's property held in custody.
- Risk of wrongful conclusion/opinion by the pathologist regarding autopsy performed.
- Risk of injury or death to employee and/or public while responding to emergency situations.

Internal Audit Suggestions

The Coroner's Department has an overall moderate risk rating. The Internal Audit Strategy should begin by gaining an understanding of the control environment that the Division operates under. Specific audit procedures can then be designed to test the accuracy of information provided to the District Attorney by the Pathologist, especially in cases involving a high profile individual accused of homicide. Other testing activities should be designed to test processes and controls over the Coroner's trust fund accounting activities. Finally, additional testing activities should be performed to verify the Division's compliance with Government Code, State of California, Section 27491, and Health and Safety Code Section 102850.

COUNTY COUNSEL

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

County Counsel provides civil legal services to the Board of Supervisors, County Departments, and agencies, commissions, special districts, and school districts. County Counsel also provides legal advice to various joint powers authorities and represents the courts and judges on request. The County Counsel Department has 94 staff positions: 48 lawyers, 7 paralegals and 39 support staff members. The Department handles 95% of their cases in-house and outsources only 5% of their cases, usually where special technical expertise is required.

The County Counsel's budget appropriation for the fiscal year 2001-2002 is \$6.2 million, with anticipated current service revenues of \$3.6 million. Appropriations are approximately 0.2% of the County's total budget.

Business Objectives

- Improve case tracking process to prevent cases from falling through the cracks.
- Ensure that resources (funding) are made available to accomplish goals.
- Ensure that the County Counsel office keeps up with the changes in information technology.
- Improve the infrastructure/facilities for future growth.
- Provide services in outlying County courts if the juvenile caseload increases.
- Continue working relationship with ISD to update and streamline the case management system.
- Handle the Risk Management caseload instead of subcontracting that caseload out.
- Pay County Counsel lawyers based on competitive government sector salaries to retain professional staffing levels.








Potential Significant Risks

- Providing the wrong decision, information or opinion on a case to a high-risk department, such as the Sheriff and/or Medical Center.
- Retention of professional staff (lawyers).

Internal Audit Suggestions

County Counsel has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify whether key controls are in place and are functioning in areas such as reviewing the caseload management system.

COUNTY MUSEUM

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The County Museum is a regional museum, providing cultural and educational programs and activities at the main facility in Redlands and seven regional sites. These activities involve preservation of collections, display of permanent and special exhibitions, and care for historical sites depicting the history and culture of San Bernardino County. Museum programs promote learning and awareness through community outreach, partnerships with educational institutions, and research that enhances both the collections and educational services. Permanent and loaned collections are preserved for the benefit of the public and for the scientific community. The Museum has several divisions including Education, Exhibitions, Anthropology, History/Archives, Biological Science, and Geological Sciences. In addition to curation of collections, the Biological Science division performs short and long-term field studies involving the flora and fauna in the southwestern United States, while Geological Sciences division conducts research including geologic mapping and paleontologic assessments for excavation and mitigation of fossil specimens. The revenue received for research by these two divisions subsidizes a portion of Museum activities.

The Museum has 100 employees, 60 full-time and 40 seasonal employees. Total appropriations for FY 2001-2002 budget year are \$4.3 million or .2% of the County's total budget. Revenues for this same period are \$3.0 million.

Business Objectives

- Preserve the cultural and natural history of San Bernardino County and the region; perform museum research to enhance collections and education for the general public.
- Promote accessibility and utilization of museum resources by the general public; provide the best possible visitor experience; enhance and strengthen collections, exhibits, and historic sites to stimulate visitation.
- Excite interest in museum programs through community outreach; advance educational services to parallel state curriculum standards; advocate partnerships with educational and research institutions.
- Treasure our human resources.
- Ensure stability for the institution through governance, financial resources, and a progressive facility plan; maintain museum best practices and industry standards.








Potential Significant Risks

- Reliance on research revenue from outside entities may result in revenue shortfalls.
- Deterioration of artifacts may occur due to environmental conditions (temperature control, ventilation, lighting, etc.).
- Data generated by research studies may be used by other public agencies to develop environmental policy.
- The nature of museum work – curation, field work, exhibit fabrication, safeguarding collections, leasing exhibits or accepting property on loan, staff travel to outlying sites, and general public visitors on the premises may present greater than average liability.

Internal Audit Suggestions

County Museum has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests will be designed and performed to verify key controls are in place and are functioning. Specific testing should be designed to verify cost allocations to specific programs and grants. Additionally, tests should be performed in the various areas of billing Museum activities and collections. Finally, audit steps should be created to address payroll, especially contract and seasonal employees.

COUNTY SCHOOLS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The County Superintendent of Schools is the elected chief school administrative officer of the County. The Superintendent and Department are mandated by state law to provide various services for its 33 school districts, two regional occupational programs, and ancillary services to five community college districts within the County. The Department also serves as an intermediary education unit between the State and the County. To assist the Department in carrying out its functions, the County School Claims Division, a separate County budgeted Department, performs warrant production, control and accounting that includes a prepayment examination and audit of all payrolls and accounts payable expenditures from the funds it oversees.

The County Superintendent of Schools has an annual 2001-2002 fiscal budget of \$1.3 million in appropriations including its School Claims Division. This represents less than 0.1% of the County's budget. For the fiscal year 2001-2002, the Department was awarded Federal funding of approximately \$93 million to provide services to the 381,000 Kindergarten through 12th grade students and approximately 37,000 community college students in accordance with the education code. Services include alternative education, special education, and curriculum and instruction. The Federal funds are accounted for separately. The County Superintendent of Schools has a staff of approximately 500 employees.

Business Objectives

- Maintain a positive working relationship with the County.
- Prepare students for the 21st century education.
- Improve the teachers training programs.
- Improve students overall performance on the SAT 9 testing.
- Implement five-year computer upgrade plan for improving the current legacy system.
- Cross train staff via training seminars.








Potential Significant Risks

- County Treasury mismanagement of Department invested funds which represents approximately 48% of County investment portfolio.
- Liability exposure from inappropriate County Counsel legal advice.
- Disallowable costs as a result of non-compliance with requirements over Federally programs.

Internal Audit Suggestions

The County Superintendent of Schools has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the control environment that the Department operates under. Specific testing activities should focus on internal controls over school claims processes involving warrant production, control, and prepayment examination of supporting documentation for allowable costs. Key controls should be tested to validate existence and operating effectiveness of such controls. Additional tests should include inquiry and examination of supporting documentation evidencing proper approval of claims processed and paid by the School Claims Division via the County FAS system. Finally, other tests may include detail review or examination of account reconciliation performed by the School Claims Division for receipts and expenditures processing.

DISTRICT ATTORNEY

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The District Attorney has the mandated responsibility under Government Code Section 26500 to prosecute crimes committed within the County, to provide legal assistance to criminal investigations conducted by law enforcement agencies operating within the County, and to advise the Grand Jury. The three Divisions in the Department are Criminal, Child Abduction, and Special Revenue Funded Services. The Budget reflects 415 staff positions for all Divisions. There are three Regions: Easy Valley, West Valley and the High Desert, with 16 outlying offices.

The Budget appropriation for the 2001-2002 fiscal year is \$36.5 million, which represents approximately 1.5% of the County's total budget. Revenues are anticipated to be \$34.9 million during this same time period.

Business Objectives

- Implement advanced information technology plan to connect with all enforcement agencies so that information can flow smoothly between major judicial entities.
- Improve case management by increasing staff to prosecute more cases.
- Improve evidence-gathering procedures to strengthen the prosecutor's cases.
- Handle all domestic abuse cases in a centralized place for better organization and utilization of resources.
- Create more community-based prosecution to expedite the judicial process and seek grant money to accomplish this goal.
- Develop a proactive approach in preventing school dropouts.
- Develop new infrastructure throughout the County for the Department's offices.
- Request a reclassification of the clerical staff position to provide for promotional opportunity within the Department and reduce turnover.
- Have an equitable salary study completed based on the private sector and not based on other Counties pay for lawyers.








Potential Significant Risks

- Sanctions from various State agencies for grants that carry sanctions for non-compliance.
- Negative news media and reputation exposure based on visibility and acts as the public's representative in court.
- Turnover at the experienced professional level – retraining new lawyers takes five to ten years.
- Budget implication shortfall due to lost funding could require cutting lawyer positions.
- Some of the old cases that DNA may affect could be overturned based on new technology.

Internal Audit Suggestions

The District Attorney has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Specific testing activities should be concentrated in case management, case referral, and attaining the resources to handle the case load of the Department. Detailed tests can then be designed and performed to verify key controls are in place and are functioning.

ECONOMIC & COMMUNITY DEVELOPMENT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Department of Economic and Community Development (ECD) is responsible for applying and administering Federal, state and local grant funds for housing, economic and community development programs for the County. ECD receives local costs (general funds) to administer an economic promotion program in the County, which includes sponsorships of regional economic councils and the oversight of several economic projects. The federal and state grant programs are for revitalization of our community and neighborhoods and are income-targeting grants. Each April the community is invited to attend a community planning program for the next fiscal year and give their input on the proposed programs in ECD. HUD and the Federal Government heavily regulate the Department. Several examples of the programs administered by the Department are as follows:

- Economic promotion programs, which includes distribution of Transient Occupancy Tax funds for marketing and promotional activities within the County.
- The Agua Mansa Enterprise Zone program.
- The sponsorship of several regional economic councils.
- Small business development programs, which promotes training and education programs through County-wide seminars and workshops.
- Various Federal grant programs offered for economic stimulation in the County including Community Development Block Grants (CDBG), Home Investment Partnership Act program (HOME) and the Neighborhood Initiative Program.

Appropriations for fiscal year 2001-2002 are \$61.6 million or 2.5% of the County's total budget. Revenues from various sources are expected to be \$50.0 million during this time period. The Department is staffed by approximately 65 positions.

Business Objectives

- Provide decent housing and a viable living environment for all constituents and principally for low/moderate income households.
- Continue to fund sustainable development in the County.
- Maintain recognition as a leader in the use of HUD's grant programs.
- Utilize technology to access HUD information on demographics in neighborhoods.








Potential Significant Risks

- Mismanagement of assets and fraud.
- Grant allocations may not be sufficient to cover the costs necessary to fund the level of service needed within the County.
- Noncompliance with HUD regulations could result in loss of grant programs and penalties.

Internal Audit Suggestions

ECD has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed testing can then be designed and performed to verify whether key controls are in place and are functioning. Subrecipient testing should be conducted due to the voluminous nature of transactions involved with subrecipients. Tests will include ascertaining compliance with HUD guidelines and compliance with the Consolidated Annual Plan filed annually with HUD.

FACILITIES MANAGEMENT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Facilities Management Department administers the County's custodial services provided to County-owned and some leased facilities. The Department consists of six operating Divisions including custodial, grounds, maintenance, home repair program, utility administration and fiscal administration.

The Custodial Division administers the County's custodial services provided to County owned and some leased facilities through a combination of in-house personnel and private custodial service providers. The Custodial Division has approximately 59 employees who provide custodial services to 350 County-owned or leased buildings.

The Grounds Division is responsible for grounds maintenance services provided to County-owned facilities and some leased facilities through a combination of in-house personnel and private grounds maintenance service providers. The Grounds Division has approximately 27 employees.

The Maintenance Division administers the County's maintenance services provided to County owned and some leased facilities through a combination of in-house personnel and private service providers. In addition, the Maintenance Division is responsible for the minor remodel and maintenance portion of the County capital improvement program. There are 58 employees in this division who perform maintenance services for 350 County-owned or leased buildings.

The Home Repair Program is a federally funded program that provides minor home repairs for candidates that meet age and income requirements. The Economic and Community Development Department (ECD) reimburses the costs incurred by this program with federal funds.

The Utilities Administration Division funds the cost of natural gas, liquid propane gas, electricity, water, sewage, refuse disposal, diesel fuel for emergency generators, and other related costs for County owned and some leased facilities.

Finally, the Fiscal Administration Division provides support to the other four divisions noted above. There are approximately four employees in this division.

For the 2001-2002 fiscal year, budgeted revenues are approximately \$6 million. Appropriations account for \$27 million in the same period, which represents 0.3% and 1.2% of the County's overall budgeted revenues and appropriations, respectively.

Business Objectives

- Improve service billing system.
- Implement Computer Aided Facilities Management (CAFM) system.
- Develop written operating policy and procedures manual.
- Improve customer service.
- Increase budget appropriation in proportion to staff increase.
- Hire more staffing for the Utilities program.








Potential Significant Risks

- On-the Job Injury resulting in Workers Compensation claims and potential lawsuits.
- Risk of inventory theft due to poor inventory control tracking system.
- Inadequate background checks during hiring, exposing the County to risk of hiring someone with criminal background who would have access to all County-owned or leased buildings.
- Potential increase in custodial contracting costs resulting from termination of contractual agreements due to non-compliance by contracting firms.

Internal Audit Suggestions

Facilities Management has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining a comprehensive understanding of the control environment that the Department operates under. Specific testing procedures should be designed validate key controls over the Department's hiring policies and procedures. Additional testing activities should be performed to determine whether the Department has adequate controls over safeguarding and tracking inventorable supplies as well as creating a safe and injury free work environment to protect against worker's compensation claims. Finally, other testing procedures should be designed to ensure written policies and procedures are in place to monitor third-party contractual obligations.

FLEET MANAGEMENT-GARAGE/WAREHOUSE & MOTOR POOL DIVISIONS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Fleet Management Department operates two Divisions including the Garage/Warehouse Division and the Motor Pool Division. The Garage/Warehouse Division provides fuel, maintenance, repair, fabrication and field services for the County's fleet of vehicles and heavy equipment. This includes the warehousing of automotive and equipment parts and materials to support the fleet operations. Activities and programs of this Division are financed and accounted for as an internal service fund. The Division has approximately 98 budgeted positions. The Division services approximately 2,000 vehicles/equipment or approximately 40% of the total owned by the County. Service repair costs are accumulated and tracked by each vehicle identification number. The Division is expected to process 20,000 work orders in the current fiscal year. The Division operates garages in County areas such as including San Bernardino, West Valley, Needles, 29 Palms and Barstow. For the 2001-2002 fiscal year, budgeted revenues and appropriations are approximately \$12.9 million, which represents 0.5% of the County's overall budget.

The Motor Pool Division operates as an internal service fund with rental rates on fleet vehicles to provide for replacement, fuel, maintenance, insurance, overhead and other operational costs. The Motor Pool Division currently has ownership and responsibility for approximately 2,000 automobiles, vans, pickup trucks and various specialty vehicles assigned to County Departments. The Division has approximately eight budgeted positions that are engaged in budget planning, vehicle acquisition and other fiscal duties including accounting for vehicles purchased by the Division. For the 2001-2002 fiscal year, budgeted revenues are approximately \$10 million. Appropriations account for \$8.5 million in the same period, which represents 0.3% of the County's overall budget.

Business Objectives

- Provide each customer with a comprehensive repair report for all services performed.
- Purchase, install and implement a new fleet management software system that will improve overall operations.
- Improve revenue measures.
- Improve performance and productivity measures.
- Implement customer satisfaction assessment tool.
- Improve the qualification system for hiring and gauging experience.
- Offer training programs to replenish and fill opened positions.
- Provide advance heavy equipment repair training to staff in order to offer better support to the Transportation/Flood Departments.

- Perform a Life-Cycle Cost Analysis of pooled vehicles that establishes criteria for identifying and replacing vehicles deemed disposable.
- Conduct an up-to-date County-wide Rate Study to review fee structures and insure that the County rates are competitive with outside vendors.
- Improve the professionalism and customer service level and the implementation of the "one stop shop" concept.








Potential Significant Risks

- Performing negligent repair work that leads to potential accidents.
- Falsifying service repair reports on vehicles for services not performed or for services poorly performed.
- Replacing good vehicle parts with defective parts that may contribute to the cause of an accident.
- Losing experienced heavy equipment/specialized skills staff to retirement or competitive job market.
- Vehicle vandalizing, vehicle theft and vehicle parts theft.

Internal Audit Suggestions

The Fleet Management Department has an overall high risk rating. The Internal Audit Strategy should begin by obtaining an in-depth understanding of the control environment under which the Department operates. Specific testing activities should be concentrated in the areas of vehicle maintenance, safety inspection process and vehicle service reporting. Additional testing activities should be designed to determine whether required service work performed are properly supervised, adequately reviewed and properly approved prior to the return of serviced vehicles to customers. Finally, audit testing will be conducted to determine whether adequate procedures for assets safeguard are in place and functioning as designed to deter against fleet and vehicle parts misappropriations and defalcations as well as to protect against asset misuse/abuse.

GRAND JURY

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Grand Jury is appointed annually by the Superior Court. It is responsible for investigating County government, examining instances of public office crime and corruption and returning indictments in certain criminal cases brought before it by the District Attorney's office. 19 jurors are appointed annually. The Grand Jury maintains its own agenda of issues. They investigate areas in the Departments where the County contributes funding, not those areas funded by Federal and State monies. The approving authority for expenditures is the presiding judge. The Grand Jury prepares a summary annual report of their activities, findings and recommendations at the end of the fiscal year. This report is submitted to the Board of Supervisors who responds to each finding and recommendation. For the 2001-2002 fiscal year, budgeted revenues are approximately \$296K. Appropriations account for \$296K, which represents 0.01% of the County's overall budget.

Business Objectives

- Continue to handle operations in an efficient manner.








Potential Significant Risks

- Jurors can be sued individually for libel, and the County will have to represent them.
- Jurors could release information to the public without authorization and damage the County's reputation.

Internal Audit Suggestions

The Grand Jury Department has an overall low risk rating. The Internal Audit Strategy should begin by gaining an understanding of the control environment under which the Department operates. Specific testing activities should be concentrated in the area of compliance with court oversight requirements including controls over monitoring of selected jurors to prevent against the releasing of confidential information to the general public. Additional testing activities should be performed to ensure accurate and proper accounting for juror reimbursable claims. Key controls should be tested to validate the existence and operating effectiveness of such controls.

HUMAN RESOURCES - BENEFITS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Human Resources Employee Benefits Division is responsible for developing and maintaining benefits that address the needs of the County employees. The Division selects, negotiates and administers health, dental, vision and life insurance plans. The Division is also responsible for the management of various trust funds for both insurance and self-insurance programs. The Division maintains a Center for Employee Health and Wellness to provide applicant pre-employment in-service medical examinations and represents the County on employee occupational injuries and workers' compensation issues. Additionally, the Center addresses wellness care for County employees. The Division sponsors an Employee Benefits Advisory Committee (EBAC) to serve as an advisory group for the benefits and services offered.

The County pays approximately \$60 to \$70 million in annual benefits. The Division employs a staff of 80 to accomplish its duties.

Business Objectives

- Streamline office procedures and processes.
- Develop goals and related strategies for Employee Benefits representatives and management.
- Develop better communication skills with other Departments.
- Utilize technology through better training and upgrades.
- Perform Pay-Equity Study for Employee Benefit representatives.
- Implement an employee benefits website that provides employees with benefits information and annual open enrollment options.
- Develop a system for putting COBRA on-line.
- Implement the MOU effective in January 2002.
- Improve customer service levels to departments.








Potential Significant Risks

- Improper storage of employee information may result into the loss of critical confidential information.
- Incorrect calculation of capitation limits on insurance plans could affect insurance premiums paid.
- Continued increase in healthcare related costs.
- Incorrect enrollment of employees into benefit plans.

Internal Audit Suggestions

The Human Resources Benefits Division has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an in-depth understanding the control environment under which the Division operates. Detailed testing activities should be designed and performed to ensure that key controls are in place and are functioning. Specific test areas should include verification of employees' enrollment in approved health, dental, and vision plans. Additional testing activities should be performed to validate and substantiate accurate processing of and proper payment of healthcare insurance premiums paid on employees' behalf. Other specific testing activities should be performed to ensure that amounts deducted from employees' checks are accurately accounted for as to amount and account and properly approved by the employee. Documentation validating employees' selections of health, dental and vision plans should be examined to substantiate eligibility. Finally, tests should be performed to review the reasonableness of the calculation establishing capitation limits on insurance premiums paid.

HUMAN RESOURCES-EMPLOYEE RELATIONS AND EMPLOYMENT DIVISION

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Employment and Employee Relations Divisions of the Human Resources (HR) Department are responsible for several functions within the HR Department. The Employment Division is responsible for employee recruitment, testing, certification and selection for County-wide positions. Annually, this Division processes 52,000 applications and prepares 7,000 employment lists responding to Departmental requests. This Division utilizes an applicant tracking system to handle the volume of resumes and requests. Several different forms of testing are used to screen applicants. Employment has 36 budgeted positions.

The Employee Relations Division serves Departments in a consultative capacity on employee related issues and developments. This Division interprets Memorandums of Understanding (MOU) for departments and ensures that MOU's are correctly applied. They also assist departments in dispute resolution from the initial filing of grievances through the arbitration phase, where necessary. The Employee Relations Division also works closely with the County's Risk Management Department on occupational health issues; communicates and answers charges made by employees to the Civil Service Commission or the Equal Employment Opportunity Office; and conducts negotiations with employees' bargaining representatives on the County's behalf. Currently, there are approximately 18,000 County-wide employees and 12 Bargaining Units

The 2001-2002 fiscal year budget for both Divisions are consolidated with the entire Human Resources Department annual budget, which is \$61.2 million or 2.5% of the County's total appropriation budget.

Business Objectives

- Improve employee background check investigation process.
- Expand information technology capabilities in order to improve the job application process.
- Improve on department's staffing projection to minimize the lag time in filling the vacant positions.
- Become more responsive to departments' request for investigating an employee.
- Continue revising and updating County-wide Employee Personnel Manual for changes in the employment laws.
- Improve employee discipline system to add more resolution options.
- Train Departmental supervisors and managers to independently address employee performance and resolve problems at the departmental level with interface from the Employee Relations Division for complex and sensitive issues.
- Transition public service employees into regular County positions.








Potential Significant Risks

- Unable to respond to departments' requests to fill vacant positions.
- Lack of or inadequate employee background investigation prior to hiring.
- Employment discrimination.
- Abuse of hiring policy.
- Risk of losing analysts to other County Departments and other competing county governments.
- Risk of lawsuit by an employee who loses a grievance appeal.
- Risk of lawsuit or unfair labor practice changes of rules not being followed appropriately.
- Risk of staff with limited experience in negotiating or making critical mistakes in the negotiation process.

Internal Audit Suggestions

The Employee Relations and Employment Division of the Human Resources Department has an overall moderate risk rating. The Internal Audit Strategy will begin by obtaining an in-depth understanding of the control environment under which the Divisions operate. Specific testing activities should be concentrated in the areas of compliance with employment laws and regulations, performance of adequate employee background investigations, and appropriate handling of employee grievance appeal. Other detail testing should be designed and performed to verify whether key controls are in place and operating as intended.

HUMAN RESOURCES-RISK MANAGEMENT

	Information	Financial Management	Compliance	Safe-guard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Risk Management Division of the Human Resources Department is responsible for identifying and minimizing the risks associated with County operations. The Division administers the county's self-insurance and insurance programs. All programs are paid from the Internal Service Fund sub funds and are financed by charging general fund and non-general fund Departments, as well as Board-Governed Special Districts and County Service Areas. Each are billed for their specific coverage for the cost to pay losses under the self-insured programs and the cost of insurance programs. Specific areas of self-insurance and insurance include comprehensive auto and vehicle liability, workers' compensation, property, surety, road design, flood control and law enforcement liability, airport and aircraft liability, environmental liability, medical malpractice and general liability. The Division is divided into four sections.

The Workers' Compensation Section handles open and new claims generated from work related injuries or illnesses. Workers Compensation claims represent 55% of all risk management claims filed, which represents approximately \$20 million in claims paid annually. The Liability Section processes and manages open and new claims related to auto accidents, law enforcement, tort, and many other general liabilities. This Section coordinates litigation matters with County Counsel and subcontracts about 30% of all litigated claims in this area to outside defense firms. The Safety and Risk Reduction Section is primarily responsible for loss prevention consulting, safety inspection, employee training and emergency responses. This Section additionally contracts with five outside firms to assist in handling the workload. For the 2001-2002 fiscal year, this unit trained 3,800 employees and responded to 156 emergency situations. Finally, Risk Management Administrative/Fiscal Section handles all fiscal database operations and processed 69,052 database transactions for the 2001-2002 fiscal year. The Administrative/Fiscal Section manages 27 different sub-funds that are set aside for each specific claims type. Actuarial studies are conducted every other year for a two-year period.

The Division has 65 employees. For the 2001-2002 fiscal year, its budgeted revenues for its operational budget are approximately \$3.8 million. Appropriations account for \$3.8 million in the same period, which represents about 0.2% of the County's overall budget.

Business Objectives

- Provide highly competitive self-insurance and insurance programs.
- Deliver prompt, quality claims management, education, and communications.
- Implement aggressive investigation and litigation of all claims.
- Develop, maintain, issue, and review a monthly status claims report.
- Replenish and add to the reserve funds where feasible.
- Complete the reorganization of the Division's operations.
- Develop flexible programs to reduce risks.








Potential Significant Risks

- Risk of an 8.3 earthquake that could have a substantial physical and financial impact on the County.
- Risk Management must provide County coverage with limited resources.
- Lack of proper ergonomics in the workplace.
- Risk of overall deficit fund balance in the Internal Service Fund due to an increase in the dollar value of claims paid.

Internal Audit Suggestions

The Risk Management Division has an overall moderate risk rating. The Internal Audit Strategy will focus on gaining a comprehensive understanding of the control environment that the Division operates under. Specific testing activities will be conducted to ensure that the self-insurance fund is managed as designed. Other testing should be conducted to ensure that the Division is in compliance with regulatory matters related to Cal OSHA and OBEA audits. Finally, specific testing activities should be performed to validate key controls over the handling and processing of decentralized cash transactions and payments of claims.

HUMAN RESOURCES – CLASSIFICATION/ COMPENSATION COMPLIANCE

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Human Resources Department (HR) administers the County's human resources programs. The HR Section for Classification, Compensation and Compliance conducts studies to determine proper positions and equitable pay for County employees. It is the HR oversight function for the County's Departments. The County Code is used as the regulations governing classification of County labor. The County Code adopts the California Code for labor regulations. HR will investigate current trends in labor development through Internet research and contacts with the Department of Labor.

Business Objectives

- Educate County employees about this Section as a consultative resource and not a control element.
- Conduct pay equity studies for all departments.
- Hire adequate staffing for this Section of HR.
- Identify departments that are over paying salaries for the level of work performed.
- Improve our facility's location and internal environment.








Potential Significant Risks

- Completing pay equity studies for departments on a timely basis.
- Inadequate staffing resources to conduct classification studies that are on backlog.

Internal Audit Suggestions

HR Classification and Compensation Section has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests will be designed and performed to verify whether key controls are in place and are functioning.

ISD-NETWORK SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Network Services Division is a part of the County's Information Services Department and is responsible for the design, operation, maintenance, and administration of the County operated telecommunications network. These telecommunication services include telephone, radio, paging, video operations and data connectivity to over 650 diverse geographic locations within the County. The telecommunications network is comprised of a number of interrelated networks, such as the transport network, the wide area network, the local area network, the voice network, the trunked radio network, and the paging network. Additional services include the maintenance of a range of alarm, area surveillance, and access control systems.

The Network supports approximately 20,000 users and is supported by a staff of 142 employees. Organized as an internal service fund, appropriations for the Division are \$17.3 million or 0.7% of the County's overall budget. The Division also expects to purchase \$2.6 million in fixed assets during the same period.

Business Objectives

- Configure the network to address e-business processes, voice over IP telephony, and integrated voice structure.
- Build the organization and keep staff trained and cross-trained.
- Be as cost effective and operationally efficient as those on the outside.
- Stay cognizant of available alternatives.
- Streamline processes within the Division.
- Continually maintain existing controls to mitigate Potential Significant Risks.








Potential Significant Risks

- Hiring and training decisions may negatively impact organizational efficiency.
- Services may not be competitive.
- Damage to or theft of assets.
- Users can drop services, which could cause under-utilization of County resources.

Internal Audit Suggestions

Communications has an overall moderate risk rating. The Internal Audit Strategy will begin by obtaining a comprehensive understanding of the control environment that the Division operates under. Specific testing activities should be concentrated in billing and collections practices. Additionally, testing of fixed assets acquisition, physical security, and disposition should be developed.

ISD-COMPUTER OPERATIONS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Computer Operations Division is comprised of three Sections: Technology Operations Production Control Services, Integrated Document Management and Systems Support. The Division supports County Departments on a 24/7 basis. Technology Operations Production Control Services is tasked with the administration and support of the County's enterprise server, Departmental mid-range computers, and over 128 client server computer systems, data storage and mainframe printing. The Section is responsible for maintaining a stabilized environment for the enterprise data center, cross system platform automation, report distribution and disaster recovery.

The Integrated Document Management Section operates the integrated document management, document conversion, data entry and microfilm for the County. The Systems Support Section centralizes and physically consolidates both data and application-integration server platforms. This Section provides the infrastructure, administration and support to efficiently manage County-wide servers.

The Division currently had 165 budgeted positions. The appropriations for the 2001-2002 budget year are \$20.8 million or 0.8% of the County's overall budget. The Division also plans on spending \$1.8 million on fixed assets during this same period.

Business Objectives

- Centralize most servers in the County.
- Implement SAN--Storage Area Network, an open architecture network that allows storage of various platforms (UNIX, IBM, etc.) under one umbrella.
- Manage remote SANs from a centralized location.
- Establish a System Integration Team geared towards implementing and maintaining the layers of technology on an on-going basis.
- Standardize imaging solutions.
- Apply County-wide Enterprise System fixes.
- Report annually on accomplishments and next year's objectives.
- Transition from County-wide microfilm to imaging.
- Provide document conversion standard policies and procedures.
- Continually maintain existing controls to mitigate Potential Significant Risk.








Potential Significant Risks

- Incorrect data transmission from external entities.
- Loss of key personnel.
- Failure of "mission critical" technology and systems.

Internal Audit Suggestions

Computer Operations has an overall moderate risk rating. The Internal Audit Strategy will begin by obtaining a comprehensive understanding of the control environment that the Division operates under. Specific testing activities should be concentrated in billing and collections practices. Additionally, testing of fixed assets acquisition, physical security, and disposition should be developed.

ISD-APPLICATION DEVELOPMENT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

Information Services' Application Development Division (ADD) is responsible for providing software support for enterprise and Departmental applications across a variety of platforms. This support includes assisting departments with the acquisition of packaged solutions, software development, implementation and integration services, and maintenance and enhancements for existing applications. ADD also provides County-wide maintenance and enhancements of existing software applications including the Financial Accounting System (FAS), the Employee Management and Compensation System (EMACS) and the Treasurer's Warrant System. Applications classified as "mission critical" requires a 24-hours, 7-days per week maintenance.

ADD receives a General Fund allocation and also bills Non-General Fund County Departments monthly for related services performed. ADD has approximately 118 employees. For the 2001-2002 fiscal year, budgeted revenues are approximately \$6.7 million. Appropriations account for \$12.9 million in the same period, which represents 0.3% of the County's overall appropriations budget.

Business Objectives

- Improve service delivery system by creating and monitoring performance measures.
- Continue to breakup large projects into smaller segments in order to accomplish short-term completion and short term billing goals.
- Adopt an open forum approach to be used by departments to express opinions on services.
- Complete the System Development Methodology and use throughout ADD
- Change from a Department-wide System Development Approach to a County-wide System Development Approach.
- Continue to offer more training due to constant changes within the information technology industry.
- Establish sponsorship for County E-government websites.
- Continually maintain existing controls to mitigate Potential Significant Risk.








Potential Significant Risks

- Lack of ownership rights to e-Government websites.
- Risk of “mission critical” software failure resulting in major inconveniences to County-wide operations.
- Risk of computer virus infections to both Departmental and County-wide Systems.
- Risk of incorrect software application and installation.
- Inadequate computer software protection resulting in abuse, invasion of privacy and inadequate protection of confidential information.
- Risk of software piracy.

Internal Audit Suggestions

ADD has an overall moderate risk rating. The Internal Audit Strategy will begin by obtaining a comprehensive understanding of the control environment that the Division operates under. Specific testing activities should be concentrated in the areas of software protection, software applications and installations, software piracy, and protection of confidential information. Test of controls should be performed to determine whether key controls are in place and operating as intended.

JOB & EMPLOYMENT SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

On behalf of the Board of Supervisors, and the Workforce Investment Board, the Jobs and Employment Service Department (JESD) coordinates and administers local employment training programs carried out by public and private schools, community-based organizations and other government agencies. JESD operates under the guidelines of the Workforce Investment Act that was designed to provide a new workforce strategy in assisting America's workforce to prepare for the labor force. Additional functions of JESD include providing employment services and placement assistance to enhance the economic success and quality of life in the County. JESD operates four "One-Stop" offices and several satellite locations.

Some of the specific services provided includes placement assessment, job services, employment counseling, child care, supportive services, transportation assistance, job retention counseling, bilingual services, job development and placement, and orientation. These services are available to all job seekers and local employers. In addition to participating in the Workforce Investment Act (WIA) program, JESD also participates in the Welfare-to-Work program (WTW) and CalWORKs programs. JESD has approximately 800 employees working in more than 30 locations throughout the County. Only 170 of these employees are budgeted in this Department. The remainder is budgeted in the Human Services Systems Group.

For the 2001-2002 fiscal year, budgeted revenues are approximately \$23.5 million. Appropriations accounts for \$22.2 million in the same period, which represents 0.9% of the County's overall budget.

Business Objectives

- Consistently meet and/or exceed mandated work participation rate.
- Continue to improve customer service.
- Upgrade technology.
- Continue to improve the quality of training available to clients and staff.








Potential Significant Risks

- Client dissatisfaction with service provided resulting into public complaints, which may damage County's reputation.
- Loss of funding arising from non-compliance with program requirements related to WIA, WTW, and CalWORKs.
- Risk of refunding Federal or State agencies for disallowable costs.

Internal Audit Suggestions

The Jobs and Employment Services Department has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining a comprehensive understanding of the control environment under which JESD operates. Specific testing activities should be designed to test the Department's compliance with Federal and State regulations related to WIA, WTW, and CalWORKs programs. Additional testing should be performed to ensure that key controls over its computer systems are in place and functioning as intended. Planned audit testing for this Department should be coordinated with the stand-alone independent audits conducted on JESD. This will allow internal audit to review any findings produced by those independent audits and better design its audit procedures to address significant findings, where applicable.

LAND USE SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Land Use Services Department (LUSD) is comprised of five Divisions: Planning, Building and Safety, Code Enforcement, Fire Hazard Abatement and the Administration Division. The Planning Division prepares short and long-range plans for the development of the County and the conservation of its resources, including the County General Plan and various specific plans. Building and Safety Division administers construction and occupancy standards to safeguard life, health and property in the interest of the general public's welfare throughout the unincorporated areas of the County. Code Enforcement administers programs designed to protect the public's safety, welfare and property through enforcement of County ordinances and state laws related to housing and property. Fire Hazard Abatement Division enforces the County's Fire and Hazardous Trees Ordinance in the unincorporated portions of the County, as well as under contract with certain cities and fire districts. The Administrative Division provides administrative support (including centralized budgeting, personnel, and automation services) to the Department's four other divisions. There are six field offices for Land Use Services located in Ontario, Victorville, Barstow, Twin Peaks, Yucca Valley and Big Bear.

For the current fiscal year 2001-2002, the budgeted appropriations are \$16.5 million or .7% of the total County budget. Revenues are anticipated to be \$12 million during this time period. LUSD has a budgeted staff of 165 positions.

Business Objectives

- Develop General Plan for communities within the County.
- Continue customer service levels.
- Resolve old cases for code enforcement.
- Implement Sierra Database System for Planning.
- Train staff to fill vacancies in the Department.
- Hire information technology personnel to help service the Department.








Potential Significant Risks

- Contact with public by Code Enforcement Officers.
- Vehicle accidents and contacts with animals.
- Non-performance of weed abatement contracts by outside contractors.

Internal Audit Suggestions

Land Use Services has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed testing can then be designed and performed to verify that key controls are in place and are functioning. Specific testing should include verification of documents to support the fact that the Uniform Building Code laws are enforced; examination of the General Plan to test for compliance with the community's decision on use of available land for development; compliance with notification to property owners in an area of development that property will be developed; and response by code enforcement staff to calls from the public about blight.

LIBRARY OPERATIONS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The County Library Department provides public library services through a network of 28 branches in unincorporated areas and 18 cities within the County. County residents living in sparsely populated areas and who are unable to use the traditional branches are serviced by two bookmobiles. The County Library's mission is to provide accurate information to the public through the use of books, Internet, and through direct assistance at the 28 branch libraries. The operating procedures at the branches are standardized, and the operation policy and procedures manual are constantly updated. The Department has approximately 203 budgeted positions. The average work experience of upper management and the librarians is between 15 and 20 years.

For the 2001-2002 fiscal year, the revenues are approximately \$11.3 million. Appropriations account for \$11.5 million, which represents 0.5% of the County's overall budget. Property taxes account for approximately 65% of the department's funding and State grants accounts for approximately 22%. The remaining 13% comes from other miscellaneous revenues.

Business Objectives

- Identify new funding sources other than property taxes to fund future growth opportunities.
- Construct a new infrastructure that will accommodate expanded services.
- Improve the information technology capabilities and implement the latest technology in the library's field.
- Increase overall staffing to meet the growing service needs of the public.
- Perform a better cash flow projection analysis for the Public Library Fund in order to minimize financial constraints resulting from major reliance on the state subvention grant funding.








Potential Significant Risks

- Misappropriation or defalcation of daily cash receipts.
- Physical injury resulting from tripping and falling on library premises.
- Potential structural damage due to age of the buildings, creating an unsafe operating environment.
- Loss in staffing may result in a reduction in state grant funding, which will affect the department's operating budget.

Internal Audit Suggestions

The County Library has an overall low risk rating due to the nature of its operations. The Internal Audit Strategy will begin by obtaining an in-depth understanding of the control environment that the Department operates under. Specific testing activities should be designed to tests key controls over miscellaneous cash collections and reporting functions to determine whether key controls are in place and functioning as intended. Additional testing should be performed to determine whether the Department is in compliance with Federal and State requirements related to Federal and State funding.

PRESCHOOL SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

Preschool Services previously operated as the Head Start Program in the County. Preschool Services provides comprehensive child development and family services to children, ages three to five years, of low income and disadvantaged families. As the primary program (80% of all funding), Head Start incorporates educational, health, nutritional and psychological services in order to help children become ready to enter and succeed in school and life in general. Preschool Services is currently operating 40 sites throughout the County. This is expected to grow to 47 sites by 2002. Other programs operated by this department include the State Preschool Program, the Child Development Program and the California Child Care Food and Nutrition Program.

Preschool Services has 112 regular employees who work all year long and 485 contract employees. The contract employees, teacher aides, custodians, and instructional aides are usually on a 9.5 month contract per year. The average daily number of classes for Preschool Services is 298 with an average daily number of children attending classes of 2,908. The appropriations budget for 2001-2002 is \$34.6 million or 1.4% of the County's budget. Revenues during this time period are expected to reach \$33.2 million.

Business Objectives

- Address technology – computers need to be in all sites.
- Improve assessments of children to determine ability to succeed in kindergarten.
- Continue to develop service standards for children for literacy, technology and emotional guidance.
- Secure additional funding for infrastructure for new site locations.
- Train teachers in the area of dealing with children's behavioral problems.
- Maintain communication with the Board of Supervisors as the oversight committee for Preschool Services.
- Train staff on how to use FAS and Microsoft products.
- Enforce operating policies and procedures of the County.
- Retain staff - reduce unwanted turnover.








Potential Significant Risks

- Legal exposure with children's safety and psychological well-being.
- Adequate training of staff to deal with problem children.
- Potential loss of staff seeking employment with another agency public or private.
- Lack of funding to develop new facilities to meet changing demographics of the County.
- Lost funding due to variable headcount on a daily basis.

Internal Audit Suggestions

Preschool Services has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. State education standards will provide the framework for developing an audit plan of performance measures. Tests can be designed and performed to verify key controls are in place and are functioning as designed. Tests should also include ascertaining state and local guidelines are followed and that sites are being monitored and inspected.

PROBATION

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Probation Department is divided into four Bureaus that carry out the Department's service functions. The four bureaus are: Probation Administrative Services Bureau, Adult Community Corrections Bureau, Juvenile Community Corrections Bureau, and Detention Corrections Bureau. Operationally, the Bureaus are responsible for the following programs/facilities (partial list):

- **Detention Corrections Bureau**
 - Central Juvenile Hall
 - West Valley Juvenile Hall
 - Camp Heart Bar
 - Kuiper Youth Center
 - Regional Youth Educational Facility
 - PREP Program
- **Juvenile Community Corrections Bureau**
 - Juvenile Services Countywide
 - Crime Prevention Act 2000 (AB1913)
 - Youth Justice Center
 - Department of Justice Grant, School PO's
 - IMPACT Grant
 - Our offices in Rancho Cucamonga
- **Adult Community Corrections Bureau**
 - Adult Services Countywide
 - Proposition 36 operations
 - Our Desert offices
 - Per Trial/ OR Program
 - Departmental Training
 - Personnel
 - Internal Affairs
- **Administrative Services Bureau**
 - All fiscal issues
 - Tracking and monitoring of grants
 - Budgeting
 - Ordering of supplies

The Probation Department operates on five stand-alone budgets for the activities within the Department. The Administrative/Community Corrections budget is responsible for overall management of the Probation Department and for adult and juvenile court related services in the areas of investigation and supervision. The Detention Corrections budget is responsible for the operations of the County's juvenile institutions, both pre- and post-adjudication custody, treatment, medical care and guidance of delinquent and custodial children in a variety of short and medium-term programs. The pre-trial Detention/Own recognizance program budget provides for on-site detention releases, as well as court ordered investigations and pre-arraignment conditional release monitoring and court reporting. Assembly Bill 1913 (Schiff-Cardenas Crime Prevention Act 2000) budget is the result of \$5.9 million allocated to the County of San Bernardino on a per capita basis which is used to fund programs developed and recommended by the Juvenile Justice Coordinating Council (JJCC) including the formation of a Comprehensive Multi-Agency Juvenile Justice Plan (CMJJP) program. The final budget was developed for fiscal year 2001-2002 to separate the County's spiraling payments to the State for Juvenile Offenders committed by the Juvenile Court to the California Youth Authority, and private placement costs. These costs were previously included in the Administrative/Community Corrections budget. There is no staffing associated with this budget.

The Department has approximately 1,122 employees working in its four bureaus. For the 2001-2002 fiscal year, budget revenues are approximately \$44.5 million. Appropriations account for \$77.5 million in the same period, which represents 1.9% of the County's overall revenues and 3.1% of its overall appropriations, respectively.

Business Objectives

- Develop effective measurement tools.
- Attract and retain qualified employees.
- Build esprit de corp.
- Maximize the benefits of available technology.
- Continue to increase revenue sources.
- Obtain additional juvenile detention facilities to alleviate current and anticipated overcrowding.
- Establish standardized record keeping.
- Develop consistent philosophy bureau-wide for disposition and treatment of clients, beginning with Prevention.
- To establish workload standards department wide.
- Resolve issue of armed and non-armed officers working together.
- Resolve JNET issues and ensure training to offset errors of coordination between Departments.
- Redesign standardized statistical reporting form to use as managerial tool.








Potential Significant Risks

- Juvenile offenders escaping Juvenile Hall and committing crimes again and exposing the County to lawsuits.
- Lack of or inadequate medical treatment for detained inmates.
- Lack of or inadequate Juvenile Hall security to protect against Juvenile Hall crimes including possible death of juvenile offenders, abuse, etc.
- Lack of or inadequate supervision of juvenile and adult offenders released on probation.
- Staff/ward injuries resulting from Juvenile Hall violence.
- Use of excessive force by prison officers.
- Arming of Officers creates potential for injuries or death.
- Inadequate Probation Officers' staffing.
- Probation Officers' safety.
- Over-crowded facilities creating potential for injuries, assault amongst juveniles and other forms of violence.
- Lack or inadequate supervision of staff responsible for "outside placement" of juveniles.
- System abuse by internal staff.
- Incorrect or false arrest of individuals no longer under court jurisdiction.

Internal Audit Suggestions

The Probation Department has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an in-depth understanding of the control environment that the Department operates under. Specific testing activities should be concentrated in areas of Juvenile Hall security systems, compliance with mandated health and safety laws regarding wards' medical treatment, adequate supervision of juveniles on probation, and the monitoring of Probation Correction Officers' use of excessive force. Audit procedures should be performed to determine whether key controls are in place and functioning.

PUBLIC ADMINISTRATOR/CONSERVATOR/ GUARDIAN

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Public Administrator is required by law to take charge of the property of persons who have died when no executor or estate administrator has been appointed. By Court appointment, the Public Guardian acts as conservator of any individuals found to be gravely disabled or lack capacity to manage their finances and provide for their own care. The Public Administrator handles probated estate cases and Public Guardian/Conservator manages Probate and LPS cases, respectively. As part of its overall responsibilities, the Public Guardian/Conservator investigates alleged need for guardian/conservatorship and acts as temporary conservator, pending permanent court appointment. Public Guardian/Conservator arranges and coordinates placement of conservatees in board and care, convalescent hospitals and other licensed facilities. Many of the Public Administrator referrals come from the Coroner's Department as a result of the investigation of a death. The Public Administrator and the Public Guardian/Conservator Divisions manage approximately 1,000 cases.

For the 2001-2002 fiscal year, actual appropriations were approximately \$4.4 million; actual revenue was approximately \$766,000, which is all-inclusive for the entire Department including the Coroner's Division, for a total Local Cost of \$3,597,749. This represents 0.2% of the County's overall budget. The Division has twelve Field Deputies.

Business Objectives

- Implement a bar coding system for tracking assets administered and entrusted into custody.
- Provide adequate infrastructure to accommodate future growth.
- Improve case management procedures.
- Monitor the quality of care provided by licensed care providers.








Potential Significant Risks

- Misappropriation or defalcation of the assets of a deceased person or conservatee.
- Potential lawsuit resulting from the death of a client placed in third-party care facilities.
- Potential lawsuit as a result of mistreatment and/or abuse of clients by third-party care facilities.
- Sub-quality care provided to clients by third party care facilities that may result in potential lawsuits.
- Potential negligence lawsuits resulting from inadequate monitoring of the care of conservatees and/or their estates.

Internal Audit Suggestions

The Public Administrator and Public Guardian/Conservator Divisions have an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an in-depth understanding of the processes of the Division's control environment. Specific testing activities will be concentrated in the areas of internal controls over monitoring Conservatees' health and safety entrusted to third parties caretakers and third parties caretaker adherence to legal/regulatory compliance requirements.

PUBLIC DEFENDER

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Public Defender's Office is constitutionally mandated to provide representation to anyone charged with an offense and is found by the court to be unable to afford private counsel. The Public Defender's office plays a key role in the timely administration of justice for indigent defense by taking on the majority of indigent clients. Furthermore, the Public Defender's office represents the dependents of individuals found by the state to be unfit parents, ensuring the protection of their children's physical and social rights. The County general fund provides funding for the majority of the Public Defender's office annual costs with minor grant revenues coming from the Federal and State governments including grants from the State Office of Criminal Justice (OCJP). The Department has approximately 179 employees including 90 attorneys and 10 Upper Management employees. Felony and misdemeanor appointments make up the majority of the Department's workload with Juvenile delinquency and Juvenile dependency appointments making up the remaining portion.

On an annual basis, the Public Defender's Office handles approximately 45,000 appointments overall. On the average, the Department retains 75% of its cases and out-sources the remaining. For the 2001-2002 fiscal year, budgeted revenue is \$1 million for current services. Appropriation accounts for \$15.9 million in the same period, which represents 0.6% of the County's overall budget.

Business Objectives

- Hire and develop additional trial oriented lawyers who can compete against private attorneys in court.
- Hire and retain seasoned senior trial attorneys to handle high-level trial cases.
- Develop a new trial experience performance standard for all staff.
- Reduce the current caseload (450/attorney) to the national average (150/attorney) and thus providing adequate and timely representation of inmates to avoid potential liabilities resulting from civil rights violation lawsuits.
- Hire additional administrative support staff.
- Purchase/develop a time and billing software system that can track an attorney's time per case assigned.








Potential Significant Risks

- Malpractice lawsuits resulting from inadequate client representation/defense especially in capital cases or three strikes cases.
- Lack of pre-trial representation resulting in judge coercing inmates to plea-bargain without the presence of their attorney in court.

Internal Audit Suggestions

The Department of Public Defender has an overall moderate risk rating. The Internal Audit Strategy may begin by gaining adequate understanding of the Department's processes and identifying key controls over its control environment. Detail testing should be designed to determine whether adequate constitutional mandated representation are provided to inmates in accordance with State laws and regulations.

PUBLIC HEALTH

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Department of Public Health provides a variety of services to prevent diseases and improve the health, safety, and quality of life of the residents of San Bernardino County. The Department operates 36 different programs divided among five areas of Public Health: 1) Preventive Medicine Services, 2) Community Health Services, 3) Environmental Health Services, 4) Administrative Support Services, and 5) Public Health Officer. As mandated by the State Health and Safety Code, most of the programs are funded by Federal and State grants, local fees, and general fund support. Public Health is responsible for disease control and outbreaks, and nutritional health of the citizens of the County. Recently, the Department has focused on emergency preparedness in response to the September 11th terrorist attacks. Public Health is studying bio-terrorism preparedness for the future. The Department has one of six laboratories in the State to test for bio-terrorism materials, such as anthrax.

Total appropriations for the 2001-2002 fiscal year are \$73.0 million or 2.9% of the County's total budget. Revenues are expected to be \$70.1 million during this same period. The Department has 1,176 budgeted positions for the current fiscal year.

Business Objectives

- Monitor indicators of public health and develop and implement effective measures to prevent and respond to threats of public health.
- Increase emergency preparedness for bio-terrorism.
- Strive to improve trauma care and strengthen the methods used within the County.
- Improve the animal control system and shelter care facilities.
- Obtain sources of funding to conduct public health operations.
- Meet challenges in successful completion of grant applications and renewing existing grants.
- Comply with the Board of Supervisor's requirements for approval on projects for Public Health.








Potential Significant Risks

- Employees misdiagnose or provide inappropriate treatment to a patient.
- Non-compliance with the State Health and Safety Code or State grant requirements could result in a loss of funding.
- Noncompliance with federal government regulations could result in loss of funding.
- Facilities development and staffing to accommodate the increasing population.

Internal Audit Suggestions

Public Health has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to test for compliance with adherence to the Federal and California Health Code.

PUBLIC WORKS-FLOOD CONTROL DISTRICT

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The San Bernardino County Flood Control District was established by State legislation in 1939. The District develops and maintains a very extensive system of facilities, including dams, conservation basins, debris basins, channels and storm drains. The purpose of these facilities is to intercept and convey flood flows through and away from the major developed areas of the County. The principal functions of the Flood Control District are flood protection on major streams, water conservation, storm drain construction and flood operations. The District covers the entire County, including all of the incorporated cities within the County. It is divided into six geographic flood zones (in recognition of the different characteristics and flood control needs of various areas). Each zone has a Citizens Advisory Committee that makes recommendations to the Board of Supervisors regarding the District's activities and work programs.

The District's primary funding comes from property taxes, state aid on specific projects, subdivision and permit fees, rents and royalties and from local water agencies for water spreading services. Each operating zone has its own property tax base. In addition to the above responsibilities, the Flood Control District performs administrative support functions, contract inspections, environmental and permit processing duties and administering the local interest portion of the Army Corps of engineers' contracts for flood control improvements. Many of the regional facilities are constructed by developers and turned over to the District for managing.

For the 2001-2002 fiscal year, Flood Control has budget revenue of approximately \$37.0 million including \$28.0 million from the U.S. Bureau of Recreation.

Business Objectives

- To continue to provide increased flood protection for the community.
- Make improvements the areas of water conservation.
- Continue to improve in technology usage for design functions, maintenance and data retrieval to efficiently perform job functions.
- Design software warning system for emergency situations.








Potential Significant Risks

- Flood Control strategic management reliance on safeguard of historical data analysis.
- Geographic Zones prone to wild fire.
- Possible debris blocking of critical access channels that re-distributes/diverts flood water.
- Potential flooding and related funding.
- Burn areas mapping.
- Operation and maintenance of endangered species facilities.
- Non-compliance with Clean-Water Act.
- Non-compliance with NPDES compliance requirements.

Internal Audit Suggestions

Flood Control Division has an overall high risk rating. The Internal Audit Strategy will begin by gaining an understanding of the Division's internal controls over accounting for flood control related costs and safeguarding of historical data analysis. Detail tests can then be performed to verify whether key controls are in place and operating as intended. Other specific tests may include review of the Division's policies and procedures for compliance with Federal and State laws and regulations including FEMA compliance requirements, Clean Air Act and NPDES compliance requirements. Additional tests may include ascertaining proper monitoring of operations and maintenance of endangered species facilities and routine inspection of safety features associated with critical floodwater access channels.

PUBLIC WORKS - PARKS, RECREATION & ENTERTAINMENT VENUES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Regional Parks Division of the Public Works Department is responsible for the operation and maintenance of nine regional parks, which encompass approximately 9,200 acres of land throughout the County. The Division also oversees the operation of 180 acres at the Big Morongo Canyon Wildlife Preserve in Morongo Valley. Together, these parks offer open space, trails, camping, swimming, fishing, picnicking, equestrian activities, playing fields, and other recreational opportunities to the public. Additionally, the Division sponsors special cultural, educational and promotional events through the use of park resources and contractual agreements with private, non-profit, and other public entities.

The Division accounts for its financial operations in five special revenue funds and one enterprise fund. Each fund maintains a separate operating budget. These funds were created by County Policy and approved by the Board of Supervisors between 1996 and 1998. The Division has approximately 129 employees in total. The Administration for the Regional Parks is centralized in San Bernardino. For the 2001-2002 fiscal year, combined budgeted revenues are approximately \$12.3 million. Appropriations account for \$14.6 million in the same period, which represents 0.6% of the County's overall budget. The Regional Parks Division is self-funded and most of its revenues are based on fees charged to park users. Annually, the parks experience approximately 2.5 million visitors in overall attendance.

Business Objectives

- Prepare a consolidated statistical analysis of all parks operations.
- Maintain or increase staffing to meet the new demands on the parks.
- Work along with cities in jointly assessing the needs of community parks in order to reduce duplication of services and improve revenue utilization.
- Install electrical power at Colorado River Campsites and improve infrastructure.
- Improve information technology systems for better park management.








Potential Significant Risks

- Park usage susceptible to environmental conditions, which ultimately affects revenues and day-to-day operations including staffing.
- Non-compliance with Public Health and safety laws.
- Risk of competition with state and city parks that offer similar services at lower rates.
- Lack of security and protection during the peak season months could expose County to lawsuits.
- Inadequate Lifeguard staffing exposes County to potential lawsuits resulting from pool accidents.
- Decline in tourism impacts revenue.
- Parks are self-funded and fee-based revenue dependent.

Internal Audit Suggestions

Regional Parks Division has an overall moderate risk rating. The Internal Audit Strategy should begin by obtaining an understanding of the control environment under which the Division operates. Specific testing activities should be concentrated in the Division's cash flow management, compliance with public health and safety laws including on-site security measures, and review of its strategic management plan to attract tourism, create additional revenue source, and to establish some cash reserve in order to maintain adequate level of public service during slow operating seasons.

PUBLIC WORKS-TRANSPORTATION

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The primary objectives of the Transportation Division of the Department of Public Works is to provide safe and usable public roadways in the unincorporated areas of the County including other transportation services within the city incorporated areas. The primary duty of the Division is to maintain the road system, including administration, planning, design, contract administration, traffic management, maintenance and improvements, of approximately 2,800 miles of roadways. Additional functions include contracting for and coordination of public transit activities in various parts of the County, including the services provided by OMNITRANS in certain unincorporated portions of the County. Management and technical activities are based in the headquarters office in San Bernardino while maintenance functions are provided through 15 yard districts with regional facilities located to best serve the 20,000-square-mile area of the County. New roads serving developing areas are usually constructed by the developers at no cost to the County. The County only constructs new roads needed to serve the general traveling public (i.e., intercommunity connectors or access to a public facility).

Road activities are funded almost entirely from highway user sources (i.e., subvention of Federal and State fuel taxes). Other sources includes Measure "I" funds and local transportation funds generated by a small share of state sales tax revenues. Many other road improvements are accomplished through cooperative efforts with other public agencies (i.e., cities, special districts, state, federal, regional agencies, and utilities). Some routine maintenance activities of the Division include patching and crack filling on approximately 7,500 lane-miles of asphalt pavement; grading of 663 miles of unpaved roads; traffic signal maintenance at 37 intersections amongst others.

For the 2001-2002 fiscal year, the Transportation Division has budgeted appropriation of approximately \$86.6 million and total revenue of \$54.8 million, which represents approximately 3.5% and 2.3% of the overall County's budget. The division staff of 356 employees makes up approximately 68% of the Department's overall staffing.

Business Objectives

- Continue to provide public with safer road system including adequate and proper road signs, stripes and visual safety features for drivers.
- Install a new cost system to manage and track project costs.
- Increase condition index of roads from 65 to 70 or higher.
- Replace older equipment and reduce the average age of the equipment fleet to a ten-year average.

- Obtain additional funding sources for road improvement and safety issues-including funding from lobbyist, associations and legislation changes.
- Continue to reduce road liability exposure.
- Optimize snow renewal program by providing better tracking equipment (i.e., GPS receivers) and better ice management equipment.
- Continue to improve emergency response program and increase response time for emergency situations.
- Update emergency response plans for routine/recurring incidents.
- Maintain a high performance level (i.e., level C) of service in congestion relief management operations.
- Increase and attract qualify engineer staffing.








Potential Significant Risks

- Traffic safety and corresponding liabilities related to lawsuits.
- Increase in self-insurance funding due to liability exposure from increased road maintenance.
- Non-compliance with laws and regulations over Federal and State-funded projects.

Internal Audit Suggestions

The Transportation Division of the Department of Public Works has an overall high-risk rating. The Internal Audit Strategy will begin by performing and documenting a walk-through of the division routine functions to gain an understanding of its control environment and cost accounting system to plan the audit. Internal audit tests may include detailed testing of key controls over processing, tracking and billing of project related costs amongst the division cost accounting system, County FAS and EMACS systems; review of its cash flow management system and review the adequacy of its policies and procedures over compliance related to Federal and State-funded projects. Other procedures may include verifying key controls over monitoring traffic safety conditions and road maintenance operations over its 2,800-mile roads for potential liability exposure.

PUBLIC WORKS - SOLID WASTE

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The County of San Bernardino Solid Waste Management Division (SWMD) is responsible for the operation and management of the County's solid waste disposal system, which consists of six regional landfills, eight transfer stations and five community collection centers. The main activities of SWMD are operations and site enhancement, expansion, acquisition and closure. SWMD operates under the responsibility of the Public Works Group. SWMD has approximately 60 employees and contracts with Burrtec Waste Industries for disposal site operations and maintenance. For the 2001-2002 fiscal year, revenues are approximately \$53.7 million. Appropriations and capital assets funding accounts for \$53.2 million for the same period, which represents 2.1% of the County's overall budget.

In the operations area, SWMD directly runs scale operations, accounting, engineering, design and construction management. Additionally, SWMD maintains direct coordination with all regulatory agencies and liaison activities with customers including cities, refuse haulers, and citizens. SWMD provides general and specific direction to Burrtec in implementing County policies and procedures pertaining to operations of the solid waste system. This includes both the active landfills and transfer stations along with inactive and closed landfills.

The site enhancement, expansion, acquisition and closure area primarily involves the planning, permitting, construction and design functions related to the expansion and/or enhancement of the County landfill and transfer station system. Additionally, this area is responsible for the groundwater remediation activities necessary to support the operations expansion and closure of the system.

Business Objectives

- Ensure that the County has adequate funding for the short and long-term needs of the solid waste system.
- Continue to expand active landfills according to master plans and needs of the system.
- Complete closures of inactive landfills.
- Finalize internal control and fiscal procedures manual for the accounting area.
- Expand the automated systems at scales to enhance the payment system.
- Investigate the opportunity to recycle methane gas.
- Continue relationships with outside service provider to maintain effective and efficient operating results.
- Continue education programs with agencies and educators for AB 939.








Potential Significant Risks

- Financial loss due to possible cleanup costs of active and inactive landfill sites.
- Future risk of ground water contamination from either landfill sites or ground water remediation activities.
- Exposure risk related to the landfill gas emissions.
- Various lawsuits resulting from activities - harmful financially and to reputation.

Internal Audit Suggestions

SWMD has an overall moderate risk rating. The Internal Audit Strategy should begin by obtaining an understanding of the control environment that the Division operates under. Specific testing activities will be concentrated in the scale operations, contract performance attributes of the Burrtec agreement, purchasing requirements and financial results of construction contracts/projects. Audit activities should also be developed to test the ten-year rolling plan.

PUBLIC WORKS - SURVEYOR

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Surveyor Division is composed of two Sections: Office Mapping and Field Survey Services. The Office Mapping Section is responsible for the review of subdivision maps as prescribed by state law, preparation of legal descriptions and maps for other County Departments, and assisting the public in matters relating to land boundaries. The Field Survey Services Section performs boundary and construction surveys for other County Departments and is responsible for perpetuation of controlling survey monuments. The Surveyor Division is responsible for district boundaries in special districts, LAFCO, and problem resolution on tract development. Land Surveyors are regulated by the Land Surveyor's Act in the California Business and Professions Code. The Surveyors must follow the code of civil procedure for legal descriptions on land surveys.

The Surveyor Division has a budgeted staff of 37 positions comprised of two Chief Deputy Surveyors, licensed land surveyors and technicians. The Division works closely with other Public Works functions, Land Use Services and the County Museum while performing their job duties. Total appropriations for the 2001-2002 fiscal year are \$2.5 million or 0.1% of the total County budget. Revenues are expected to also be \$2.5 million during this same period.

Business Objectives

- Work with the County Information Services Department on a document management system.
- Use web-based technology to make information available to the public through the Internet.
- Undergo a classification and compensation study for the technicians in the Department.
- Complete the GIS mapping system.








Potential Significant Risks

- Not meeting state mandate guidelines for backlog and plan checking.
- Possible lawsuits regarding the information contained on the record of survey reports.
- Retention and recruiting of lower level staff surveyors.

Internal Audit Suggestions

The Surveyor Division has an overall low risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify that key controls are in place and are functioning. Specific tests can include examination of survey plotting techniques and compliance with the code of legal procedure and determining the adequacy of map storage and retention abilities of the Division.

PURCHASING

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Purchasing Department consists of four separate Divisions that perform different fiscal functions. The Divisions are Procurement, Mail Services, Printing Services and Central Stores. Additionally, the Department manages and arranges for the sale of County surplus property. The function of the Purchasing Division involves the acquisition of equipment, services and supplies used by the County Departments and Board-governed Districts. The procurement of services may be approved by the Purchasing Department where the aggregate cost does not exceed \$25,000 per scope of services, per vendor, per agency, Department or Board-governed special district per fiscal year. Vendors applying to do business with the County are registered and listed on an automated vendor database. The Department processes approximately 120 Request for Proposals annually and follows the minimum three-bid requirement process applicable to each commodity or service. For sole source contracts, the Department follows County Policy 11-05.

The remaining three Divisions, Central Mail Services, Printing Services and Central Stores, operate as Internal Service Funds. The Central Mail Services Division provides interoffice, U.S. Postal and courier services to agencies, Departments, and Special Districts within the County. The Printing Services Division composes, sets, prints, collates, and binds County forms, pamphlets, and reports. Central Stores stocks, supplies and delivers stationary, forms, janitorial, and other high volume miscellaneous items for County Departments and other local government agencies. Central Stores also maintains the surplus property pool.

For the 2001-2002 fiscal year, the budgeted revenues are approximately \$19.0 million. Appropriations accounts for \$18.7 million for the same period, which represents 0.7% of the County's overall budget. The Department is staffed with 83 employees.

Business Objectives

- Continue to educate County Departments on purchasing policies and procedures.
- Complete the implementation of the Countywide Cal-Card program.
- Complete the training programs for Cal-Card policies and procedures by June 2003.
- Implement the vendor on-line procurement registration system by July 2002.
- Increase salaries for certified purchasing staff.
- Research a distributed requisitioning system for departments.
- Research the open purchase orders process.
- Recommend going to a web-based FAS system.
- Expand mailroom facility from 1,500 square feet to 3,300 square feet to accommodate 24 staff.
- Obtain short-term mail service financing of \$1 million within the next few months.
- Review salary equity adjustments for mailroom supervisors.
- Continue security alertness and safety procedures in wake of September 11 events over Central Mail Services.

- Obtain additional security from Sheriff's Department for monitoring and patrolling mailroom premises.
- Continue the next-day delivery of office supplies program.
- Consider centralizing fiscal operations for Central Mail Services, Central Stores, and Printing Services.
- Expand and reorganize Printing Services.
- Continue to cross-train the Central Mail Services and Printing Services staff.
- Prepare a standard operating procedures manual for Printing.








Potential Significant Risks

- Non-compliance from other departments with procurement policies and procedures.
- Departments' purchasing items not approved by the Board.
- Inventory theft of Printing Services' and Central Stores' supplies.
- Losses resulting from mail theft.
- Inventory theft at Central Stores.
- Inappropriate storage and disposal of hazardous materials stored at Central Stores and Printing Services.
- Risk of loss resulting from inadequate inventory tracking system.
- Loss of key staff (i.e., buyers) to competitive markets.

Internal Audit Suggestions

The County Purchasing Department has an overall moderate risk rating. The Internal Audit Strategy should begin by obtaining a comprehensive understanding of the control environment that the Department operates under. Specific testing procedures should be designed to ascertain the Department's compliance with procurement requirements, competitive bid process, the Board of Supervisors approval process, and compliance with safety standards regarding mail handling and delivery and disposition of hazardous materials used in the Print Shop and stored in Central Stores in lieu of the recent September 11 events. Key controls over the above processes should be tested to validate whether they are placed in service and operating as intended. Finally, specific tests should also be designed to tests key controls over the Department's Mail Delivery System and Central Stores System to protect against misappropriation and defalcation of assets including protection of confidential mail information.

REAL ESTATE SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Real Estate Services Department performs two primary functions: Right-of-Way and Property Management. It is organized into three different budgetary units. The Department provides for the administration of lease contracts; the negotiation of new lease contracts; and appraisal, acquisition, and relocation assistance for all County agencies and Departments. It also provides reimbursable services to other governmental entities throughout the County, upon request. Additionally, the Department manages rent and lease agreements for rental space occupied by County Departments. In most cases, the Department appropriates the funds and is reimbursed by the user Departments. Finally, the Department manages the activities for the Chino Agricultural Preserve and the sale of surplus real property.

The Department currently has 26 budgeted positions and net appropriations of \$5.2 million, which represent 0.2% of the County's budgeted appropriations. The expenditures for leases managed by the department are \$24.8 million of which \$23.5 million are reimbursed by user departments. Currently, the Department manages 216 operating leases and is involved in negotiations on the County's revenue leases.

Business Objectives

- Expand the role of the Department to include property management of county owned buildings and space planning.
- Obtain computer-aided facilities management software.
- Continue to provide high-level service.
- Develop specific goals for the Department as well as for individual employees.








Potential Significant Risks

- Property appraisals could be challenged and litigated.
- Leases could be improperly paid.
- Project funds could be jeopardized if applicable laws and regulations are not adhered to.

Internal Audit Suggestions

The Real Estate Services Department is rated low-risk overall. The Internal Audit Strategy should begin by obtaining an understanding of the control environment that the Department operates under. Specific testing activities will be concentrated in the area of property management and lease payments and contract. Additionally, the compliance with regulatory agencies and internal county approval with leasing and acquisition procedures should be tested. Review sample appraisal reports to verify adherence to department standards and approval process.

REDEVELOPMENT AGENCY

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Redevelopment Agency is currently involved in one large project. Since 1995 the entire former Kaiser Steel site and other blighted industrial property in its vicinity were incorporated into the San Sevaire Redevelopment Project. The major objectives of the project are to encourage private sector investment in the development and redevelopment of the area by removing impediments to growth, eliminating and/or preventing the spread of blight and deterioration, and correcting infrastructure deficiencies.

The Redevelopment Agency oversees four budgetary units: Housing Fund, Debt Service Fund, Infrastructure Improvements, and Senior Housing Project. Total appropriations for the 2001-2002 fiscal year are \$18.8 million or 0.8% of the total County budget. Revenues are expected to be \$3.6 million during this time frame. The staff in the Redevelopment Agency is two.

Business Objectives

- Utilize the Redevelopment Agency to fullest extent and benefit.
- Reinvest money in redevelopment of low and moderate income housing for the County's citizens.
- Develop the Redevelopment Agency zone to its fullest capacity.
- Negotiate with retail operations to locate in the Redevelopment Agency.
- Study the development of warehousing in the area.
- Development of Final Plan for the Redevelopment Agency.
- Focus on developing commercial and industrial businesses.
- Develop the infrastructure in the area.
- Work with the companies in the area to ensure financial stability.








Potential Significant Risks

- Significant environmental issues in this area.
- Exposure of the citizens to environmental contaminants in the area.
- Monitoring the area for environmental safety.
- Quality of commercial and industrial growth in the area for our citizens.
- Rate of population growth in the area.

Internal Audit Suggestions

Redevelopment Agency has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify that key controls are in place and are functioning. Tests will include ascertaining environmental regulatory compliance and review of actions taken by RDA staff to locate businesses in the area.

REGISTRAR OF VOTERS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Registrar of Voters (ROV) conducts elections as prescribed by District, City, County, State and Federal laws and regulations. The ROV is also responsible for registering voters, examining petitions, and maintaining voter records, boundary changes and precinct boundaries to reflect realignments of all political subdivisions. The workload of the ROV is difficult to predict from year to year since there is no way to predict how many elections will be requested during the year outside of the regularly scheduled elections. The ROV Department is a very labor-intensive environment that deals with very high volume of different ballots and ballot styles. Of these ballots, there are thousands of absentee ballots that must be sorted and verified.

The ROV has 36 full time employees and hires numerous temporary employees to help conduct the elections held throughout the year. The ROV relies heavily on volunteers during the election process. The appropriations budget for the ROV is approximately \$4.4 million for the 2001-2002 fiscal or 0.2% of the County's overall budget. This budget was established based on the estimated costs to hold at a minimum of seven elections during the year.

Business Objectives

- Build strong office structure to include increases in salaries and positions within the Department.
- Improve retention of trained Clerk staff.
- Update all procedures and organize the files.
- Move to the Windows base system on the vote counting software system.
- Lobby for a raise for the poll workers.
- Create a better work environment in the office.
- Find new office space location.
- Implement the mandated electronic voting system in accordance with Proposition 41.








Potential Significant Risks

- Not following the election laws would leave us open to investigation and potential costly litigation.
- Highly visible when mistakes are made.
- Untrained poll workers could impact the integrity of the election.
- Publishing an incorrect Sample Ballot and not being able to rectify it in time for an election could invalidate that election, leading to public criticism, potential litigation, and the time and effort required to re-do the election.
- Loss of the citizen's trust and confidence in the voting process.
- Public criticism.

Internal Audit Suggestions

The Registrar of Voters has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Specific testing should be concentrated in compliance with election laws, training of poll workers and streamlining the election process through electronic equipment. Detailed tests can then be designed and performed to verify key controls are in place and are functioning.

SHERIFF-COURT SERVICES

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

The Sheriff's Court Services Division contracts with the superior courts to provide security and civil processing. The Division is the former Marshall office. Superior courts services are based on a five-year agreement. The Division employs approximately 250 employees serving two regions including 12 courts facilities throughout the County.

The security functions of the Division commences once an inmate is brought to the court location and concludes when they are released or sent back into custody and leave the court facility. The Deputy Sheriff is responsible for overall courtroom security including the judge's safety and inmates' movements in court. Each judicial position has approximately two courtroom deputies assigned.

The civil processing functions of the Division handles claims related to small claims courts. State assessed fees are charged by this Division to process claims. The plaintiff must complete the appropriate forms and include all pertinent information related to the defendant for a claim to get processed. All fees collected are deposited into trust accounts, which are reconciled timely. Claims processed in this unit include evictions, garnishments, and levies.

For the 2001-2002 fiscal year, the Division operating budget is consolidated with the County's Sheriff Department overall budget, which has approximately \$191.7 million in revenues. Appropriations account for \$273.3 million for the same period, which represents 8.2% and, 11.0% of the County's overall budget, respectively. This Division is funded partially by the State court.

Business Objectives

- Centralize civil processing operations.
- Upgrade current computer systems.
- Centralize workload to produce fair distribution.
- Prepare an organization chart to spell out levels of controls.
- Improve and balance customer service via centralized services.
- Utilize Internet services for routine functions and services.
- Stabilize lieutenants at court sites by allowing them to focus only on one responsibility at a time.








Potential Significant Risks

- Nature of service has potential for lawsuits resulting from civil rights violations.
- Lawsuits resulting from inappropriate handling of legal requirements associated with real estate levies.

Internal Audit Suggestions

The Sheriff Court Services Division has an overall moderate risk rating. The Internal Audit Strategy should begin by obtaining an in-depth understanding of the control environment under which the Division operates. Specific testing activities should be performed to ensure adequacy of controls over routine paperwork transactions processing involving both security functions and civil processing. Additional testing procedures should be designed to test compliance with regulating agencies as appropriate.

SHERIFF-FIELD OPERATIONS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Sheriff's Field Operations Division has three sub-component units including Patrol Operations, Investigation, and Emergency Services units. The Division operates in 25 stations throughout the County plus headquarters in San Bernardino. The Division expects to respond to over 622,000 calls for services during the current fiscal year. The Patrol Operations unit responds to service calls and provides patrol services to the unincorporated areas of the County and contracts with cities to provide patrol services. The Investigation unit investigates crimes against persons, burglaries, homicides, officer-related shootings, narcotics, bomb investigation, and crimes against children. The cases are usually generated from incidents during the Patrol Operations. Finally, the Emergency Services unit provides law enforcement, search and rescue, fire suppression and transportation services for the Sheriff's Department and the County and other fire and law enforcement agencies. This unit includes the aviation services of 11 helicopters and three airplanes. All units are involved with evidence gathering, recording, and protecting. The Division also operates a Regional Law Enforcement Training Academy and Emergency Driver Training Facility.

The Division has a staff of approximately 1,700 employees. For the 2001-2002 fiscal year, the Division operating budget is consolidated with the County's Sheriff Department overall budget, which has approximately \$191.7 million in revenues. Appropriations account for \$273.3 million for the same period, which represents 8.2% and, 11.0% of the County's overall budget, respectively.

Business Objectives

- Establishing partnerships that guarantee quality law enforcement.
- Maintaining contact with the communities served and utilizing relevant information from those communities.
- Ensure the flow of information between the communities.
- Continue to work with schools and social service agencies to address problems with juveniles.
- Foster morale among staff to enhance their self-esteem.
- Develop alternative funding sources to fund our needs.
- Continue to train its employees with the latest methods and technology.
- Continue to gather data on statistics in the County and the State to determine and address the needs of communities.
- Continue to develop "Command College" for officers.








Potential Significant Risks

- Investigating crimes and making personal contact with the general public.
- Officer involved shootings have the potential to be high-risk. The number of public contacts versus the actual number of officer-involved shootings remains very low.
- Vehicle pursuits have the potential to pose a significant amount of risks for the division. The department has a very active driver training and emergency training operations program in place.

Internal Audit Suggestions

The Sheriff's Field Operations Division has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the control environment under which the Division operates. Specific testing activities should be concentrated in the areas of regulatory compliance related to properly enforcing the Penal Code as well as complying with Federal and State funded grants requirements and evidence control.

SHERIFF - CORRECTIONS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Corrections Division is one of the three separate Divisions of the Sheriff's Department. The primary responsibilities of the Division include operating the custody facilities and transportation services for the Sheriff. There are three major detention facilities in the County: Central Detention Center, Glen Helen Rehabilitation Center and West Valley Detention Center.

The custody functions of the Division involve both financial and non-financial transactions related to inmates. The Corrections Division acts as trustee over the personal assets retrieved from inmates during the arrest and booking process. While incarcerated, inmates can receive and have access to their funds for bail money, purchase of personal hygiene items, foods, etc. Approximately 100,000 inmates are booked annually, which amounts to approximately \$500,000 in financial transactions being processed through the Corrections Division. The average length of stay per inmate at the correctional facilities is less than one year and typically averaged 10 to 23 days. Inmates with minor offenses are released after few hours. Inmates with length of stay exceeding one year are transferred to State Prison. The Division also transports inmates to the courts, health care facilities and elsewhere as required.

The Corrections Division is responsible for medical care while the inmates are in custody. The Division employs healthcare providers at each facility and contracts with other County and private health care providers to care for the inmates. Record keeping for these services resembles claims processing and is an extensive process.

The Corrections Division accounts for approximately 31% of the total Sheriff Department annual budget. For the 2001-2002 fiscal year, the Division operating budget is consolidated with the County's Sheriff Department overall budget, which has approximately \$191.7 million in revenues. Appropriations account for \$273.3 million for the same period, which represents 8.2% and, 11.0% of the County's overall budget, respectively.

Business Objectives

- Provide community safety through detention of inmates awaiting courts decision.
- Act in accordance with the constitution when performing duties.
- Provide inmates with mandated humane treatment under the law (i.e., proper health care, right to an attorney, and fair and just treatment);
- Install and implement a new cash management system to account for inmates' funds and eliminate the redundancy embedded in the current system.
- Upgrade the current Jail Information Management computer system that will interface with the county and outside vendors system.
- Redirect fiscal related resources to inmate monitoring activities.








Potential Significant Risks

- Mislabeling inmate-related items booked into custody.
- Liability exposure resulting from escaping inmates committing additional crimes against general society.
- Non-compliance with mandated health care regulations (i.e., OSHA regulations, USDA regulations).
- Potential liability exposure resulting from inmate related suicide and use of deadly force by officers.

Internal Audit Suggestions

The County Sheriff Corrections Division has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the internal controls over inmate booking process, inmate cash management, and the Jail Information computer system and document the controls that are involved in significant financial and non-financial operating activities. Detail tests may include verifying the accuracy and timeliness of cash deposit transactions; determine whether proper labeling of inmate related items were performed and properly inventoried; review and examine accounting records pertaining to county assets (narcotics, pharmaceuticals, etc.) stored with the Sheriff Corrections Division; determine whether bank reconciliation are performed timely on inmates, related trust accounts, and special revenue funds bank accounts; and perform procedures to determine that mandated health care regulations were properly followed.

SPECIAL DISTRICTS - FIRE – EMERGENCY/ PREVENTION

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The County Fire Special Districts (County Fire) are comprised of three subgroups: Operations, Support Services and Emergency Services. Operations are organized by geographical locations and cover over 16,000 square miles. County Fire has direct contracts for fire protection services in cities. As part of operations, County Fire must provide services to desert areas and unincorporated areas that are not covered by County Service Areas. Support Services are shared with the Special Districts Department, such as communications, training and safety, maintenance, human resources, budget and finance and the information services department. Emergency Services consist of everyday response to crises; for example, routine fire calls, earthquakes and response to other disasters and life threatening dangers to the public.

County Fire is responsible for providing ambulance and paramedic services in the geographically locations served by County Fire. The firemen and paramedics operate out of state when needed for other disasters. Funding for County Fire is primarily from property taxes, Senate Bill 90 money from claims for reimbursement, fees for services and claims for reimbursement from FEMA for disasters/fires.

Business Objectives

- Continue to monitor overtime hours of firefighters.
- Complete the consolidation of all the Fire Districts under a single management structure.
- Operating the Fire Districts within their budgeted revenues of assessments and fees.
- Strategically plan and organize the Division to maintain a required level of service.
- Address the need for inter-changeability of equipment in County Service Areas.








Potential Significant Risks

- High-risk routine calls are frequent to the department.
- Inadequate training of fire personnel.
- Significant number of injuries occurring during the drive time to and from calls.
- Inability to fiscally provide for the demand for training and provide appropriate safety equipment and devices.
- Threat of possible lawsuits due to inadequate training.

Internal Audit Suggestions

County Fire has an overall high-risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed testing can then be designed and performed to address the adequacy of training for fire personnel, response time, communication equipment, apparatus equipment and asset replacement reserves. Fiscal management of each Service District should be reviewed.

SPECIAL DISTRICTS - WATER, SANITATION, PARKS, ROADS & STREETLIGHTS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Special Districts Department is responsible for the administration and operations of all County Special Districts (Districts) or County Service Areas (CSA). The Districts and CSA's are separate legal entities authorized by California laws and formed by the County Board of Supervisors to provide municipal-type services, capital improvements and financial flexibility. They are formed and tailored to meet the specific needs of an area so that the property owners only pay for the services they want.

The Districts and CSA's provide tailored municipal-type services to unincorporated areas. They can provide one or all of the following services depending on community needs and financial feasibility: extended police protection; structural fire protection; local park, recreation, or parkway; extended library facilities and services; television translator station facilities; low power television services; and miscellaneous extended services including water services, sewer services, pest or rodent control, street & highway sweeping, street & highway lighting, refuse/garbage collection, ambulance service, area planning, soil conservation & drainage control, animal control, services provided by a Municipal Advisory Council (MAC), transportation services, geologic hazard abatement, road maintenance, and open space and habitat conservation.

The San Bernardino County Board of Supervisors is the governing body for all Board governed Districts and CSA's. The day-to-day management and administration is done through the Special Districts Department.

The County Board of Supervisors and the Special Districts Department depend quite heavily on input from the community. The successful operation of a District or CSA is a team effort between County staff and property owners. Where needed, the Board of Supervisors will set up a property owner Advisory Commission or Municipal Advisory Council (MAC) to work with and make recommendations to the Board and County staff.

The formation process begins with a request from property owners and then involves a feasibility study performed by the Special Districts Department with the assistance of many other County Departments. The final approval of the District or CSA is done by the County Board of Supervisors at a public hearing. Depending on the complexity of the issues the process can take from three (3) months to one (1) year to complete.

There are various forms of financial mechanisms that can be used to fund services such as fees, special taxes, assessments, etc. Prior to a new funding source being implemented, it must receive approval from either the property owners or the registered voters. No County general funds are used or available to fund the dependent special districts.

Business Objectives

- Develop succession management within the Districts and CSA's.
- Restructure CSA 70 Fire to alleviate problems with revenue generation in that area.
- Move operations to cover geographical district areas for services provided.
- Operate the Districts within their budgeted revenues provided from assessments, special taxes and fees.
- Strategically plan and organize to maintain a required level of service in the Districts and CSA's.








Potential Significant Risks

- Public safety issues for not providing adequate services.
- High-risk service calls are infrequent.
- Significant number of injuries occurring during the drive time to and from service areas.
- Adverse legislation for water, sanitation and fire revenue sources.
- Possible lawsuits regarding water safety and distribution systems.

Internal Audit Suggestions

The Office of Special Districts has an overall high-risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify key controls are in place and are functioning. Specific tests should include ascertaining compliance with legislative guidelines, regulatory reporting accuracy and timeliness, verifying efficiencies of operations and reviewing plans for development in County Service Areas.

TRANSITIONAL ASSISTANCE DEPARTMENT (TAD)

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

The Transitional Assistance Department (TAD) of the Human Services System is responsible for determining eligibility of citizens to participate in the following programs: CalWORKS, Medical, General Relief Assistance, Foster Care and Food Stamp Assistance. CalWORKS is a program to provide subsistence payments to citizens who are eligible for aid under state law. Medical is a Federal and State funded health insurance program for low-income families. The Food Stamp program provides benefits to augment the low-income family's food needs. The General Relief program provides a minimum amount of assistance to citizens who need temporary financial assistance and have no children. The Foster Care program provides financial aid to the foster parents of children removed from the home by the Department of Children's Services.

TAD has an annual budget of \$ 350.9 million for the 2001-2002 fiscal year, or 14.1% of the County's budget. The Division receives funding from the State and Federal Government to administer these programs. There are 1,500 staff in the Transitional Assistance Division. The Division interfaces with other governmental agencies to provide financial assistance to individuals.

Business Objectives

- Reduce the Food Stamp error rate in processing eligible clients.
- Follow up on errors in processing payments.
- Conduct internal audits of the programs to enforce compliance with federal regulations.
- Implement CIV Group system in March 2004.
- Increase work participation by clients to 50%.








Potential Significant Risks

- Compliance with Federal and State regulations.
- Meeting error rate goal established by the Federal Government for Food Stamps at the national average (This number changes every year.)

Internal Audit Suggestions

The Transitional Assistance Division has an overall high-risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests will be designed and performed to verify key controls are in place and are functioning. Specific tests should include ascertaining regulatory compliance with eligibility of clients and reporting to the Federal and State governments and review of information on clients determined to be ineligible.

TTC-CENTRAL COLLECTIONS

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Mod

Overview of Business Area

Central Collections is a Division of the Treasurer-Tax Collector's office and is responsible for providing a credit bureau and collection service for the County. Central Collections also provides accounting and collections for court ordered payments. The Division's purpose is to centrally coordinate the County's collection functions. Total collections were approximately \$30 million for the 2001-2002 fiscal year. The primary source of collections includes delinquent accounts receivable from Arrowhead Regional Medical Center and court-ordered fines. The Division has legal authority to exercise garnishment proceedings in events of default. The Penal Code allows the Division to offset court collection expenses and remit only net court collections. Central Collections uses a computer system developed by an outside vendor to process its collection activities. This system interfaces with other departments and outside agencies.

Central Collections has a satellite office in the Rancho Court and employs approximately 90 employees. For the 2001-2002 fiscal year, budgeted revenues are \$6.5 million. Appropriations account for \$6.5 million in the same period, which represents 0.2% of the County's overall budget.

Business Objectives

- Maintain the same level of collections as prior years.
- Contact departments that may need to have collection activities started.
- Consideration of increased automated services.
- Continue to improve collection system, policies and procedures.








Potential Significant Risks

- Significant daily cash processing and handling.
- Non-compliance with State Statute Penal Code Section 1463.007.
- Non-compliance with distribution instructions.

Internal Audit Suggestions

The Central Collections Division has an overall moderate risk rating. The Internal Audit Strategy will begin by gaining an understanding of the control environment that the Division operates under. Detailed testing should be performed to verify that key controls are in place and functioning. Additional testing activities should be concentrated in the area of internal controls over medical accounts receivable and Court-ordered fines, specifically with respect to account coding, billings, collections, distribution and allocation, deposit, and examination of written policies and procedures regarding account write-off. Finally, specific testing activities should be performed to ensure the Division's compliance with State laws and regulations.

TTC - CASH, INVESTMENT & TREASURY

	Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

One of the functions that the Treasurer-Tax Collector's Department is responsible for is cash, investment and treasury. The treasury function is responsible for the investment of the County investment pool, which includes County funds and all school districts within the County, as well as providing banking services for these agencies. The Treasurer currently manages assets of approximately \$2.0 billion. Each quarter the Treasurer's office completes the interest apportionment to County funds and school. The Treasurer's office is also responsible for the administration and management of certain bond issues.

The Treasurer's office has six full time staff members to handle this function. It communicates daily with the banks it works with to maintain investments held by the County and provide banking services to the various County agencies and County schools. The Treasurer's office is regulated by the State of California Government Code.

Business Objectives

- Follow long-term strategies while investing the County's funds.
- Follow the Treasurer's policy to continue to make conservative investments.
- Maintain AAA credit rating of the County Pool by Standard and Poor's, Fitch, and Moody's Investor services.
- Increase cash monitoring tools.
- Hire an investment analyst to concentrate on credit ratings and market trends.
- Modernize the Treasurer's building to make it more functional.
- Train employees on investment analysis and development of Treasurer's systems.
- Review and update the strategic plan in the department.








Potential Significant Risks

- Credit risk and market risk of securities could be high, depending on certain changes in market conditions.
- Risks associated with cash flow analysis on Tax Revenue Anticipation Notes, specifically an inability to meet the cash deficits of the County.

Internal Audit Suggestions

The Treasury Division has an overall high risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify key controls are in place and functioning. Tests will include the examination of investment trade tickets and trade information to determine compliance with the California Government Code on the Treasury function, examine the receipts of interest earnings and review correspondence within the Treasurer's office regarding investment strategies.

TTC - TAX COLLECTION

	Financial Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								High

Overview of Business Area

Tax Collection is a division of the Treasurer-Tax Collector's Department. The Tax Collection Division performs three primary functions: tax collection, tax accounting and tax sales. Tax Collection is responsible for the annual secured and unsecured tax roll. Tax Collection is responsible for the collection and recording of approximately \$1 billion in property taxes, plus County licenses and other fees, on an annual basis. The Tax Collection Division offers customer service to the public with automated services on the web and personal customer contact in its offices. The processing of tax payments received through the mail is automated in the Tax Collection Division. During the year from September 1 to April 10, the Tax Collection division processes 90% of their workload for the year.

The Treasurer's office has fifty-two employees budgeted for the Division. The Tax Collection Division must comply with the state revenue and taxation code for notification and sending bills and tax sales on defaulted properties.

Business Objectives

- Improve technology to serve the citizens of the County.
- Keep costs low for processing property taxes.
- Strive for efficiencies in processing information.
- Consider implementing a relational database.
- Educate public and industries on function of our office.








Potential Significant Risks

- Errors during the processing of a large volume of cash, checks, and credit card payments.
- Assessor's information on tax rolls may be inaccurate.
- Public contact by tax collection officers is high risk.

Internal Audit Suggestions

Tax Collection Division has an overall high risk rating. The Internal Audit Strategy will begin by gaining an understanding of the processes and internal control environment. Detailed tests can then be designed and performed to verify key controls are in place and are functioning. Tests will include ascertaining regulatory compliance with the state revenue and taxation code with regard to notifications, sending bills and tax sales, reviewing discharged property tax bills and related collection efforts, and follow up on property tax payments that are short when processed at the Tax Collection Division.

VETERAN'S AFFAIRS

	Financial Information	Financial Management	Compliance	Safeguard of Assets	Operational	Technology	Strategic Mgmt.	Overall Risk Level
Risk Assessment								Low

Overview of Business Area

The Veteran's Affairs Department provides information and assistance to residents in filing claims for benefits and services to which they may be entitled from federal or state governments. These benefits include medical care, insurance, home loans, pension benefits, disability compensation, education, and vocational rehabilitation. In the County, there are approximately 150,000 veterans.

The Department's annual appropriations budget for the 2001-2002 fiscal year is \$1.1 million or less than 0.1% of the County's total budget. Revenues are expected to be \$264,000. The Department has 19 staff positions budgeted.

Business Objectives

- Continue level of service to Veterans.
- Provide information to dependents of Veterans who qualify for veteran benefits.
- Raise public awareness of the available benefits.
- Influence legislation to help fund local Veteran's services.

Potential Significant Risks

- Loss or decrease in State subvention of revenues would impact department by increasing local cost portion to the County.
- Changing in Medi-Cal Cost Avoidance program may also increase local cost funding

Internal Audit Suggestions

Veteran's Affairs has an overall low risk rating. The Internal Audit Strategy will begin by performing a walkthrough to gain an understanding of the processes and internal control environment. Detailed tests will be designed and performed to verify key controls are in place and are functioning as designed.

INTERNAL AUDIT PLAN

After the Risk Assessment is approved, the next step is to develop an Internal Audit Plan that is consistent with both the County's objectives and the risk rating for each auditable unit. At this point, the County's Code states that each Department must have an internal audit at least once a year. We recommend a methodology that provides for an audit of each activity over a four period. This plan will call for consideration of the weighted ratings to determine the audit priority. All high risk auditable units will be audited first, moderate risk units will be audited next, and low risk units will be audited last. As noted in the Executive Overview Section, the Auditor's Division should have the County Code amended to comply with this new methodology.

The methodology for developing an Internal Audit Plan began with a Departmental self-assessment that was converted into a quantitative numeric score for each auditable activity within each Department. The overall score is comprised of the individual weighted ratings for each of the seven risk factors. Each auditable activity received a weighted rating of high, moderate or low. In the proceeding chart, each County Department has been given a Risk Level ranking based on their self-assessment of their inherent risks. This initial Risk Level will become the basis for scheduling the internal audit cycle for the Internal Audit Plan.

A significant benefit of the recommended methodology is the ability the Departments have in self-assessing their inherent risks. The second phase of the Risk Assessment process, which is out of scope for this project, is to educate the Departments on internal controls and the effects that control risk can have on the overall risk assessment. Adding the control risk to the inherent risk of each auditable activity is likely to change the audit approach and/or the risk rating. After the Auditor's Division performs each audit, the activity assessment should be updated and reassessed.

The proceeding chart summarizes the County Departments and their Risk Levels as calculated during the inherent risk assessment phase of the Internal Audit Plan. The Audit Division should fill in the types of audits (i.e., financial, managerial, operational, performance, etc) they plan to conduct in the "Planned Audit" section of the chart. Additionally, the audit schedule can be prepared based on frequency for audit and resources available. Based on the scheduling results, resources of the Audit Division may need to be adjusted.

Department	Planned Audit	Risk Level	Priority 1	Priority 2	Priority 3
Activities					
▪ <i>Aging & Adult Services</i>		Low			X
▪ <i>Agriculture, Weights & Measures</i>		Low			X
▪ <i>Airports</i>		Moderate		X	
▪ <i>Architecture & Engineering</i>		Low			X
▪ <i>Arrowhead Regional Medical Center</i>		High	X		
▪ <i>Behavioral Health</i>		High	X		
▪ <i>Child Support</i>		Moderate		X	
▪ <i>Children Services</i>		Moderate		X	
▪ <i>Clerk, Recorder Operations and Records Management</i>		Moderate		X	
▪ <i>Coroner</i>		Moderate		X	
▪ <i>County Museum</i>		Moderate		X	
▪ <i>County Schools</i>		Low			X
▪ <i>District Attorney</i>		Moderate		X	
▪ <i>Economic & Community Development</i>		Moderate		X	
▪ <i>Grand Jury</i>		Low			X
▪ <i>Job & Employment Services</i>		Moderate		X	
▪ <i>Land Use Services</i>		Moderate		X	
▪ <i>Library Operations</i>		Low			X
▪ <i>Preschool Services</i>		Moderate		X	
▪ <i>Probation</i>		Moderate		X	
▪ <i>Public Administrator/Conservator/Guardian</i>		Moderate		X	
▪ <i>Public Health</i>		Moderate		X	
▪ <i>Public Works-Flood Control District</i>		High	X		
▪ <i>Public Works-Parks, Recreation & Entertainment Venues</i>		Moderate		X	
▪ <i>Public Works-Transportation</i>		High	X		
▪ <i>Public Works - Solid Waste</i>		Moderate		X	
▪ <i>Public Works - Surveyor</i>		Low			X
▪ <i>Real Estate Services</i>		Low			X
▪ <i>Redevelopment Agency</i>		Moderate		X	
▪ <i>Registrar of Voters</i>		Moderate		X	
▪ <i>Sheriff-Court Services</i>		Moderate		X	

Department	Planned Audit	Risk Level	Priority 1	Priority 2	Priority 3
▪ <i>Sheriff-Field Operations</i>		High	X		
▪ <i>Sheriff - Corrections</i>		High	X		
▪ <i>Special Districts - Fire - Emergency/Prevention</i>		High	X		
▪ <i>Special Districts - Water, Sanitation, Parks, Roads & Streetlights</i>		High	X		
▪ <i>Transitional Assistance Department (TAD)</i>		High	X		
▪ <i>TTC - Cash, Investment & Treasury</i>		High	X		
▪ <i>Veteran's Affairs</i>		Low			X
Support Functions					
▪ <i>Assessor</i>		Low			X
▪ <i>Auditor - Internal Audit/MSS/RPS</i>		Moderate		X	
▪ <i>Board of Supervisors</i>		Low			X
▪ <i>County Administrative Office - Capital Improvement Program & Debt Financing</i>		Moderate		X	
▪ <i>County Administrative Office - Operating Budget – Development</i>		Moderate		X	
▪ <i>County Administrative Office - Oversight - Departmental Compliance</i>		Moderate		X	
▪ <i>Clerk of the Board</i>		Moderate		X	
▪ <i>Controller - FA/GA/AP/Payroll/Property Taxes</i>		High	X		
▪ <i>County Counsel</i>		Low			X
▪ <i>Facilities Management</i>		Moderate		X	
▪ <i>Fleet Management- Garage/Warehouse & Motor Pool Divisions</i>		High	X		
▪ <i>HR-Benefits</i>		Moderate		X	
▪ <i>HR-Employee Relations</i>		Moderate		X	
▪ <i>Human Resources-Risk Management</i>		Moderate		X	
▪ <i>HR -Classification/ Compensation Compliance</i>		Low			X
▪ <i>ISD-Network Services</i>		Moderate		X	
▪ <i>ISD-Computer Operations</i>		Moderate		X	

Department	Planned Audit	Risk Level	Priority 1	Priority 2	Priority 3
▪ <i>ISD Application Development</i>		Moderate		X	
▪ <i>Public Defender</i>		Moderate		X	
▪ <i>Purchasing</i>		Moderate		X	
▪ <i>TTC-Central Collections</i>		Moderate		X	
▪ <i>TTC - Tax Collection</i>		High	X		
			13	34	13

APPENDIX - RISK CATEGORY DEFINITIONS

1) Information Risk

Objective - Information reported to external parties and used in the management process is reliable, accurate, and timely.

Business Risk Rating Considerations

Routine Transactions - Incorrect or improper handling of routine transactions (e.g. normal disbursements or payments, etc.) can result in delayed posting, minor accounting errors, or the posting of unsupported transactions.

Non-Routine/Complex Transactions - The incorrect handling of infrequent or complex transactions can result in financial information errors, non-compliance with regulations, rules and policy, or inappropriate decisions/conclusions.

Complex Estimates - Incorrect assumptions or flawed methodologies can result in significant estimation errors. Analysis of estimates could result in incorrect decisions/conclusions, which could have a negative impact on the organization, both financially or non-financially.

Systems - Incorrect systems specification changes or software revisions can result in system-wide errors. This could lead to incorrect or incomplete information available for either processing or analyzing, which could result in flawed processing or analysis.

Risk Rating Descriptions

Low (1) - Transactions are generally routine and relatively small. Information obtained, processed or analyzed is relatively simple in nature. Errors would have limited impact on the reliability, accuracy, and timeliness of externally reported or management information.

Moderate (2) - Transactions may include some complex or non-routine transactions or involve larger transaction volumes. Errors would have moderate impact on the accuracy of financial or non-financial reporting, analysis, processing or decision-making information.

High (3) - Transactions include complex estimates or involve material volumes and balances. Errors could have significant impact on the reliability of externally reported or management information. Errors could have an adverse impact on the organization's reputation with customer or constituents, investors, regulators and other external parties, and could lead to significant fines or penalties.

Directional Risk Considerations

Examples include: accounting standards/policy changes, systems changes, excessive pressure to meet goals, etc.

2) Financial Management Risk

Objective - Financial Management practices help the organization achieve financial goals and manage the related business risks (i.e., funding, cash flow, pricing, budget adequacy, etc.).

Business Risk Rating Considerations

Internal - Internal activities and decisions (i.e., communication breakdowns, incorrect assumptions, flawed models or methodologies, etc.) can adversely affect profitability/financial performance, cash flow or budget adequacy.

External - External forces (i.e., market changes, competitor's actions, etc.) can adversely affect profitability/financial performance, cash flow or budget adequacy.

Risk Rating Descriptions

Low (1) - The business activity has limited impact on the organization's overall financial goals. Market risk factors (external forces, i.e., competition, actions by other governmental entities and economy) are not inherent in the business activity.

Moderate (2) - The business activity has moderate impact on the organization's overall financial goals. The business activity's market risk measures are at an acceptable level.

High (3) - The business activity has major impact on the organization's overall financial goals. The business activity's market risk measures are at an unacceptable level. Other risk consequences could include damaged reputation and possible regulatory examination sanctions.

Directional Risk Considerations

Examples include: volatile market conditions, increased competition, model changes, loss of key staff, etc.

3) Legal/Regulatory Compliance Risk

***Objective* - Organization activities/business practices efficiently and effectively comply with applicable regulations and laws.**

Business Risk Rating Considerations

Major Regulations and Interpretations - Violations of rules and codes have potential fines and costly corrective action.

Litigation Issues - Lawsuits can result in expensive settlements, litigation costs and corrective action (i.e., - employee/customer/constituent litigation, contract/fiduciary liability, etc.).

Systems - Incorrect systems/platform specifications can cause systemic compliance and/or policy and procedural violations.

Risk Rating Descriptions

Low (1) - Relatively few regulatory or legal risk factors are inherent in the business activity. Any non-compliance would result in only minor fines.

Moderate (2) - Several regulatory or legal risk factors are inherent in the business activity. Non-compliance could result in fines, but would have relatively limited reputation damage or regulatory sanctions.

High (3) - The nature/number of regulations and laws in the business activity are onerous. Non-compliance could result in significant fines/penalties, severe regulatory sanctions, or damage the company's franchise value/reputation.

Directional Risk Considerations

Examples include: new or complex regulations/laws, systems changes, well publicized governance issues or initiatives within the industry, slow or no action on compliance issues/violations, etc.

4) Safeguard of Assets Risk

Objective - Appropriate safeguards exist to minimize fraud/theft and misuse and to maintain the ongoing quality of the organization's assets.

Business Risk Rating Considerations

Overall Transactions - Some business activities manage a large number of assets for the organization and its customer or constituents. Asset deterioration or the improper handling of individual transactions can result in financial loss and reputation damage.

Internal Fraud - Many business activities process transactions or are responsible for assets with a high potential for employee fraud and theft. The business activity could be directly or indirectly involved in monitoring and identifying fraud.

Misconduct/Abuse - Transactions or activities could be susceptible to management and/or officer override (i.e., conflicts of interest, code of ethics violations, etc.). Unit could be directly or indirectly involved in monitoring and identifying misconduct and/or abuse.

External Crime - Areas and activities could be exposed to external theft and destruction (i.e., employee safety, asset/information theft, etc.). Unit could be directly or indirectly involved in monitoring and identifying external crime

External Fraud - Transactions and activities could be exposed to external fraud. Unit could be directly or indirectly involved in monitoring and identifying external fraud.

Risk Rating Descriptions

Low (1) - No significant organization or customer or constituent assets are present in the business activity. Any financial loss would be relatively small and reputation damage would be negligible.

Moderate (2) - The business activity is responsible for assets (i.e., receivables, equipment, property, etc.) of moderate value. Potential losses would be moderate but could include some embarrassment and reputation damage.

High (3) -The business activity is responsible for the organization's most important assets. Potential financial losses could be significant. Other risk consequences could include severe regulatory sanctions/or damage to the organization's franchise value.

Directional Risk Considerations

Examples include: External market/economic conditions, new types of fraud/crimes, loss of key staff, etc.

5) Operational Risk

Objective - Operations are efficient, effective, and enable the organization to achieve customer or constituent service and quality goals.

Business Risk Rating Considerations

Routine Activities - Inefficient processes or activities can create excessive burden or unnecessary expense.

Non-Routine/Complex Activities - Incorrect or inconsistent handling of infrequent or complex activities could cause internal/external customer or constituent dissatisfaction.

Business Interruption - Key activities where disasters/business interruptions could jeopardize customer or constituent service and financial goals.

Business Partner/Service Provider Quality - Poor quality could contribute to internal user or customer or constituent dissatisfaction.

Financial Performance - Unprofitable services or services that do not perform up to financial expectations may exist and income, fees, or other factors do not cover business risks or related expenses.

Risk Rating Descriptions

Low (1) - This business activity is a support function. The business activity's quality measures and efficiency ratios are at an acceptable level.

Moderate (2) - The business activity has a supporting role in carrying out the organization's overall objectives/goals.

High (3) - The business activity has a primary role in carrying out the organization's overall objectives/goals. This business activity provides services to the organization's most important customers or constituents. Systemic complaints, process flaws, or business disruptions could threaten the future viability of the organization.

Directional Risk Considerations

Examples include: Process changes, reengineering and centralization projects, deteriorating quality/efficiency measures, etc.

6) Technology Risk

Objective - Technology activities are efficient, effective, and enable the organization to carry out its mission and achieve its objectives. Systems process transactions in an accurate, timely, and safe manner and produce valuable decision-making and risk-monitoring information.

Business Risk Rating Considerations

Business Interruptions - Could jeopardize customer or constituent service and financial goals in business activities that rely heavily on technology.

External/Internal Threats - Create physical, technical, and operational risks to the organization's information and technology activities.

System Performance/Vendor Service Quality - Poor quality could contribute to internal user, customer or constituent dissatisfaction.

Data Quality Errors - Outdated systems and platform specifications could cause data quality errors (i.e., non-compliance with system standards, etc.) for either processing purposes or analysis purposes.

Non-Routine/Complex Activities - Incorrect or inconsistent handling of infrequent or complex activities could cause data quality errors.

Risk Rating Descriptions

Low (1) - The business activity has limited reliance on technology and systems. The loss of the system would be a minor inconvenience.

Moderate (2) - The business activity has moderate reliance on technology and systems. An individual unit or activity relies heavily on the system/information. The loss of the system would only impact parts of the organization and a moderate segment of the customer or constituent base.

High (3) - The business activity has "mission critical" technology and systems. The consequences of technology/systems disruptions or information integrity problems could include customer or constituent dissatisfaction, organization reputation damage, loss of market share, etc.

Directional Risk Considerations

Examples include: Changes in the organization's technology needs, new systems and service providers, deteriorating quality/efficiency measures, etc.

7) Strategic/Management Risk

***Objective* - Strategic and/or Management objectives and initiatives are successfully completed and related business risks are appropriately managed.**

Business Risk Rating Considerations

People or Key Resources - Barriers (i.e., high turnover, inexperienced staff/skill limitations, excessive reliance on a key staff member, insufficient staffing/resources, etc.) can increase business risk impact and likelihood of its occurrence.

Coordination/Communication - Objectives and processes that cross department/business unit boundaries require a high level of coordination and communication. Communication bottlenecks, breakdowns and coordination barriers increase the level of business risk.

Organization Reputation - The organization's reputation could be at risk based on lack of customer or constituent satisfaction with products or services; negative public reaction due to identified regulatory or legal issues; and inability to change as technology changes.

External - Risks are associated with changes in business environment, competitor actions, and changing customer or constituent needs.

Risk Rating Descriptions

Low (1) - The business activity has limited impact on the organization's primary strategic objectives or current management initiatives. The business activity's operating environment is generally stable.

Moderate (2) - The business activity has moderate impact on the organization's primary strategic objectives or current management initiatives. The business activity is experiencing some changes, either in process or management.

High (3) - The business activity has major impact on the organization's primary strategic objectives or current management initiatives. The business activity is experiencing significant changes, either in process or management. Inappropriate management decisions may lead to negative consequences including inefficient process, damaged reputation and possible regulatory or legal sanctions.

Directional Risk Considerations

Examples include: Any significant changes in the organization's internal (i.e., new strategies/objectives, management changes, etc.) or external (i.e., changes in customer or constituent preferences/needs, competitor or other governmental entity's actions, etc.) operating environment, slow or uncoordinated responses to emerging opportunities/or risks, etc.